

NEWS: INTERNATIONAL

EU could take lead in Bosnia next year

By Bruce Clark in Brussels

Mr Hans van den Broek, the European Union's external affairs commissioner, believes Europe should play the main role in assembling a military force for Bosnia next year. EU officials said yesterday.

They said he hosted this idea during talks earlier this week with senior officials in Washington, among whom he found "widespread acceptance" of the need for some western military force in Bosnia next year.

Mr van den Broek's proposal would imply a sharp acceleration in the EU's so far tortuous efforts to develop a fully-fledged foreign and security policy, and it is likely to provoke intensive debate on both sides of the Atlantic.

The commissioner wants the EU to look urgently at which institutional arrangements could be used to provide the authority for a new peacekeeping force.

Among the available options, the force could be subordinated to the European Council - in other words, to the EU's 15 member governments - or to the 10-member Western European Union.

However, Britain will object strongly to vesting the European Council with any authority over military matters, and the WEU's tiny permanent staff are themselves doubtful of their ability to organise such a venture.

Another option seen as promising by Mr van den Broek is that a new formula for US-European military co-operation - known as Combined Joint Task Forces - be put into action. Military experts have been elaborating this formula, under which European military forces could borrow US equipment, which is normally assigned to Nato, for more than two years.

But politicians on both sides of the Atlantic are likely to balk at the idea of a totally European ground force, with US air cover and logistical support.

For some US politicians this would still be too deep an involvement in the Bosnian dispute, while Europeans will fear a repeat of the problems faced by the European-led UN force in Bosnia, whose tactics were often criticised from the sidelines by the US.

In public statements the US administration is insisting that it will extract all its forces from Bosnia by December, and west European governments have said they are unwilling to stay there alone. But among senior figures involved in the peace process, both civilian and military, there is a growing belief that a wholesale withdrawal could lead to renewed fighting.

Under one scenario widely floated by experts on the region, the US might maintain its recently established military bases in Hungary, so it could come to the rescue of its allies if they got into difficulty in Bosnia.

Incoming prime minister promises freeze on public spending in 'major drive' to meet single currency conditions

Aznar points Spain firmly down road to Emu

By David White and Tom Burns in Madrid

Mr José María Aznar, Spain's incoming prime minister, yesterday promised a "major drive" to meet the conditions for the European single currency and said the new centre-right administration would freeze public spending in real terms this year and next.

Promising Spaniards "a new style of government", a composed-looking Mr Aznar set out the main lines of his government programme in an 80-minute speech to congress, emphasising the need for consensus with trade unions, a more tightly run

civil service, deregulation, and tax and administrative reforms.

The speech came ahead of a vote in congress today when the 43-year-old Mr Aznar is due to be confirmed as prime minister with the hard-won backing of regional parties.

Having finally assembled a working majority nine weeks after his Popular party's narrow election victory, Mr Aznar vowed to make up for lost time and start talks "immediately" with employers and unions on a job-creation pact.

However, he placed his top economic priority firmly on getting Spain into the first group of single-currency countries. Mr Felipe Gonz-

alez, the outgoing prime minister, said Mr Aznar could rely on Socialist support to fulfil the criteria. "It is perfectly possible to meet them," he added.

Mr Aznar, making clear the key aim was cutting the public sector deficit, committed the shortfall from last year's 5.8 per cent of gross domestic product to 4.4 per cent this year and 3 per cent in 1997. To achieve this, he said, overall public spending would "in no event" rise by more than the inflation rate.

Conspicuously absent from his proposals were the specific income tax pledges made during the election

campaign, when the PP said it would lower the 56 per cent top rate to 40 per cent. However, he promised to review rates in a "profound reform" of the tax system aimed at stimulating savings and investment. The changes, which would be accompanied by a crackdown on tax evasion, would include steps to ease the burden on small companies.

Mr Aznar said the government would produce a "strategic privatisation plan" and improve the management of remaining state companies. A US-style budget office would be set up under the prime minister's direct authority, and legislation introduced to make the civil service "more mod-

ern, professional, austere, efficient and co-ordinated".

The government would step up the fight against corruption and demand "exemplary conduct" from politicians and public servants, he said.

In a bid to win unions' confidence, Mr Aznar promised to maintain the purchasing power of state pensions, but foresaw measures to allow later retirement and promote private pension schemes.

Mr Aznar went out of his way to reinforce the PP's rapprochement with regionalist parties, referring repeatedly to the diversity of Spain and promising to complete the devo-

He sought to justify his party's recent agreement with Catalan nationalists on a new regional financing scheme by saying it would help to modernise the tax system, bring the self-governing regions closer to paying for themselves and avoid increasing the overall tax burden.

Mr Aznar said the PP wanted to preserve a political consensus on terrorism and foreign and defence policy. He did not omit to reaffirm Spain's claim to Gibraltar, saying that Britain would be held to its obligations to clamp down on drug-trafficking and money-laundering.

Broken promises prove an expensive commodity for Safi

Investors lose faith in Romanian mutual funds, writes Virginia Marsh

The broken promise of a billboard - which reads "Safi is more sure" - still stares at angry investors in the Transylvanian town of Brasov. Having realised that Safi in fact means less, about 45 per cent less, Romanians have besieged the office of the financial company and attempted to withdraw deposits from its mutual fund.

"I can't believe this has happened. I thought Safi was safe. I've lost half my money and I am afraid I won't be able to take out the rest," a distraught pensioner said yesterday outside the office. Like many investors, she says she was unaware of the risks of mutual funds and thought her deposit could only increase, as with a bank account.

Romania's Securities Commission has launched an investigation into the handling of the fund, which was suspended for 10 days on Monday after announcing a 45 per cent, or \$71m, markdown in its net worth.

"Safi should have been more transparent but the authorities are at fault for not explaining to the public how these funds work and the risks involved," says an engineer, one of the few investors outside the Safi office who understood why the funds had been marked down.

Some investors were convinced the fund was about to collapse, while others thought that, because its backers include opposition politicians, it had been deliberately brought down by the government. Most people in the street were completely confused.

The troubles at Safi are part of a short but colourful history of investment failures in Romania since the end of communism in 1989. Caritas, a popular pyramid scheme, collapsed in 1994 after luring \$1bn in deposits from about 4m Romanians.

In the Safi case, the markdown occurred after the Securities Commission introduced tough regulations which, among other things, required funds to calculate their worth based on current, not prospective, earnings and assets. Financial analysts say some funds had inflated their value



Counting the cost: investors gather outside a Safi office

and the public was misled by catchy advertising promising large returns, without mentioning the risks.

"Until 1989 Romanians only had two choices as to where to put their extra cash. They could either deposit it at the CEC (The National Savings Bank) or hide it under the bed," says a Bucharest economist. "It's not surprising people are confused by the many choices they now have. At the same time, because of high inflation and the other economic problems they face, many are desperate to make their money go further."

The commission's measures were intended to strengthen the sector, bring local practices in line with international norms, and boost confidence in the country's fledgling capital markets and in bona fide investment funds. But analysts say the move may have backfired due to Safi's difficulties and the commission's poor handling of the situation.

"I invested in Safi because it had a good track record and offered much better returns than the banks," says a retired university lecturer who withdrew his deposits two weeks ago. "It appeared to be properly regulated, unlike the pyramid schemes we had in the past. Now I'm not so sure."

Safi made public its mark-

down a month after new regulations were introduced. Other funds complied immediately, and after initially seeing deposits drop, most have begun to recover.

At the time, Mr George Danilescu, the former finance minister who founded Safi in 1989, said the fund did not need to make any adjustments as it already calculated its worth in the manner required by the new regulations.

Safi is now attempting to explain its sudden change by saying it and the commission had different interpretations about how to value some assets.

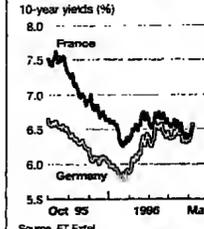
It is unclear why the commission, a relatively weak institution founded last year, did not require Safi to make the adjustment earlier and allowed it to continue to collect deposits. As well as the delays, the commission is investigating to whom the fund made payouts before the markdown was announced.

Safi officials say the fund will be able to honour its obligations when it reopens and that it can withstand withdrawals of up to 100bn lei (\$33m). Industry analysts say that even if Safi and other funds go under or have to curtail their activities, the direct impact on the economy will be relatively small.

There are only 10 mutual funds in Romania, valued at around \$330m at the end of 1995. Many now expect small depositors to switch their savings from funds back to banks. However, the problems are likely to force a shakeup in the sector and analysts predict that in future fund managers will have to target larger investors rather than small depositors and move from open-ended to closed funds.

"Open-ended mutual funds are doomed," a senior local banker says. "The confidence of small investors has been seriously shattered. These funds have little future as now, at the slightest sign of trouble, people will remove their money. I hope we can gradually rebuild the population's trust both in investment funds and capital markets in general."

Benchmark bonds



Markets offer timely present to Chirac

By David Buchan in Paris

The Gallic cockerel had something to crow about at the end of this week, as for only the second time in modern bond market history long-term French interest rates sank below German ones.

On Thursday, rates on the French government's 10-year OAT bonds first closed the "yield gap" with Germany's 10-year Bunds and then sank below Bund rates. Yesterday the rate on OATs closed at 6.51 per cent, just below 6.54 per cent on the revered Bunds.

This mark of relative approval from the markets could not have provided a better first anniversary present for President Chirac, elected on May 7 last year when the yield gap was 80 basis points (0.8 per cent) in favour of Bunds.

After last autumn's currency crises and social unrest, he and Prime Minister Alain Juppé can plausibly begin to argue that their policy of deficit reduction is paying off with banker savings. "The confidence of small investors has been seriously shattered. These funds have little future as now, at the slightest sign of trouble, people will remove their money. I hope we can gradually rebuild the population's trust both in investment funds and capital markets in general."

Nonetheless he said Mr Juppé was sending the right signals to the markets with his announcement this week of public spending cuts in 1997 so that France could qualify for European monetary union.

The government's goal is to keep public spending at the same nominal level next year as this year.

This implies a real cut - taking account of inflation - of around 2 per cent, or about FF1,550bn on a budget of around FF1,550bn. But because of the inescapable increase in some big budget items like debt service and civil service pay, the cuts in most other areas of spending will be deeper.

Bold though these plans may seem in domestic French terms, the government is aware that they may impress the financial markets less than the DM70bn (\$46bn) cuts announced recently by the Kohl government, and may therefore threaten the new OAT-Bund parity and other forms of convergence between the two countries.

It is argued in Paris that much of Bonn's spending cuts have yet to be negotiated with Germany's regional governments and unions, and are therefore just "headline announcements" at this stage. But precisely the same can be said of the French government's pronouncements so far.

World Bond Prices, Page 7

INTERNATIONAL NEWS DIGEST

Dutch to act over cartels

The Dutch government plans to ban cartels and to set up a commission to review proposed corporate mergers. Mr Hans Wijers, economic affairs minister, said his proposal was intended to stimulate competition and counter the Netherlands' reputation for being a "cartel paradise" among European Union member states. At present, the Dutch have no anti-trust procedure and prosecution for abuse of monopoly power is rare.

The proposed legislation would require all domestic mergers exceeding FF 250m (\$150m) to be subject to regulatory review. This could affect an estimated 100 deals a year. According to the economic affairs ministry, all hindering vertical pricing arrangements will also be outlawed, although this will not apply to franchises.

The ministry is also proposing to make infringements subject to a fine of FF 1m or 10 per cent of the annual sales of the company concerned, whichever is the higher. The commission would operate under ministerial oversight for five years, after which the government's technical veto power would be reviewed.

David Brown, Amsterdam

Brussels in drug merger probe

The European Commission has begun a four-month investigation into the proposed \$90m merger between Ciba-Geigy and Sandoz to form Novartis, the world's second-largest drugs group. After a preliminary one-month inquiry the Commission decided the deal was so large and complex it would have to be scrutinised in more detail. A final decision on what would be one of Europe's largest-ever mergers may not come until September.

The Commission said Novartis would be the world's biggest supplier of crop protection products, and second-biggest supplier in the pharmaceuticals, animal health and seed sectors. Sandoz said it was "confident" the merger would be approved, and was "not surprised" the Commission had extended the investigation, given the deal's size.

Brussels also announced yesterday that it was investigating proposals from the Dutch media venture RTL and Media Groep to convert the Dutch television station RTL into a 24-hour news channel. It ruled last September that the merger of Dutch-language television channels RTL and Veronica, plus Endemol Entertainment, the largest independent TV producer in the Netherlands, to form Holland Media Groep, had to be restructured to avoid contravening EU competition laws.

Endemol has since withdrawn from HMG, and, in an attempt to allay the Commission's remaining concerns that the venture will hinder competition in the Dutch television market, plans to convert RTLs from a general channel into a specialist news channel.

Neil Buckley, Brussels

Tencel challenge overruled

The European patents office appeals board yesterday ruled that Lenzing's patent for lyocell, the world's first new man-made fibre for decades, was invalid. Courtaulds, the British chemicals company, had begun manufacturing its own version of the fibre, known as Tencel, ahead of Lenzing, but the Austrian company was claiming infringement of its European patent.

The intensity of the dispute has been fuelled by the fibre's huge market potential. Lyocell is made from wood pulp, unlike its predecessor, viscose, it retains its strength when wet and can be manufactured into much finer fabrics. "This makes it an attractive substitute for wool and cotton. Courtaulds' shares closed up 11p at 422p.

Jerry Lusty, London

Good prices for Impressionists

The Impressionist and Modern art market continued its upward climb at auctions this week in New York. Evening sales at Christie's and Sotheby's totalled \$76m and \$64m respectively, with more than 80 per cent sold by both lot and value. The season's results, echoing the astonishing \$100m evening tallies in November, suggest there is no shortage of enthusiastic bidders. There is, however, a shortage of top-dollar works of art. Most of the important state properties, Christie's scooped the pool with collections of Joseph Hazen, Joan Trocummings and Eugene Solow.

Pieces were sound rather than sensational. The star lot at Christie's was an atypical Van Gogh, one of perhaps 10 paintings of cafes or restaurants. It changed hands at \$10.3m. Hazen's luscious Degas pastel of a woman in a tub fetched \$5.4m, his Joan Gris Cubist "Backgammon" made \$3.4m, a record for the artist at auction.

Sotheby's great success was Monet's "Les Meules, Giverny. Etretat du Matin", one of five of his earliest paintings in the grain stacks series. It sold to a Japanese dealer for \$7m, more than it had made when offered in 1989 at the height of the market.

Susan Moore, London

Mobil signs up for Tengiz field

Mobil and Kazakhstan signed a final agreement yesterday for the US oil company to buy a quarter stake in the \$20bn 40-year joint venture to develop the huge Tengiz oilfield on the Caspian shore. Mobil joins Chevron, which has a half share in the three-year-old Tengizchevroil venture. Kazakhstan's share falls to a quarter. Sale terms were not disclosed.

The deal comes less than a week after a landmark protocol was signed to form a new consortium - including Chevron and Mobil - to build a oil export pipeline to pump Tengiz crude through Russia to the Black Sea. The Tengiz field has recoverable reserves of 6bn-8bn barrels. Output now is 100,000 bpd, but is expected to peak at 700,000 bpd by 2010.

According to Mr Nurlan Balgimbayev, oil minister, after royalties, taxes, transit fees and duties, Kazakhstan would still earn 72 per cent of profits from Tengizchevroil. Chevron and Mobil would split the rest.

Reuter, Almaty

Norway oil strike looms

Norwegian offshore workers threatened to begin a strike today which could shut down about 40 per cent of the country's oil production of 3m barrels per day. The Norwegian Federation of Oil Workers has called on 740 workers at nine offshore installations to stop work in a sympathy action for colleagues involved in a pay strike at four offshore service companies.

In London, Brent crude on the International Petroleum Exchange continued its steady rise under the threat of a strike. June Brent was up 38 cents at 19.17 a barrel shortly after trading began in the US.



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ANNUAL AND SPECIAL STOCKHOLDERS' MEETING OF MAY 3, 1996

On May 3, 1996, the Annual and Special Stockholders' Meeting was held in Turin on the first calling under the chairmanship of Umberto Silvestri.

The Annual Meeting approved the report on operations from the Board of Directors and the financial statements at December 31, 1995, certified by the auditing firm of Arthur Andersen S.p.A. The income statement shows net income of 1,744,760,417,214 lire, which, after allocating 87,238,020,861 lire to the statutory reserve, will be earmarked for the distribution of dividends as follows:

- common shares: 12% of their par value of 1,000 lire, equivalent to 120 lire per share,
- savings shares: 14% of their par value of 1,000 lire, equivalent to 140 lire per share,

with the balance of 841,734,738,653 lire allocated to the reserve for accelerated depreciation.

The Annual Meeting also approved the amendments to the contract assigned to Arthur Andersen S.p.A. for the auditing and certification of the financial statements for the 1995 and 1996 fiscal years, which were required as a result of the completion of the partial demerger of TELECOM ITALIA S.p.A.

The Special Meeting approved the utilization of the reserve for inflation adjustments under Law 72/1983 to pay the corporate net worth tax due under Law No.461/1992 for the 1995 fiscal year, in the amount of 144,774,669,000 lire.

PAYMENT OF DIVIDENDS FOR THE 1995 FISCAL YEAR

In accordance with the resolution of the Stockholders' Meeting, the dividend for the 1995 fiscal year, in the amount stated above and before the requisite tax withholdings, will be payable as of May 20, 1996 at the Company's offices at 23 Via Belfiore, Turin, and 189 Via Flaminia, Rome, or at any of the authorized banks listed in the Notice of Meeting, as well as through Monte Titoli S.p.A. for the securities which it manages. Payment of the dividends on both the common and savings shares will be made against presentation of coupon No.1.

This notice is also available at the following Internet address: <http://www.telecomitalia.it>

Prices for electricity determined for the purposes of the tariff arrangements.

LT zone	Final price to consumer (including VAT)	Final price to consumer (including VAT)	Final price to consumer (including VAT)
Contract period	Contract period	Contract period	Contract period
0100	8.38	9.02	9.02
0200	8.38	9.02	9.02
0300	8.38	9.02	9.02
0400	8.38	9.02	9.02
0500	8.38	9.02	9.02
0600	8.38	9.02	9.02
0700	8.38	9.02	9.02
0800	8.38	9.02	9.02
0900	8.38	9.02	9.02
1000	8.38	9.02	9.02
1100	8.38	9.02	9.02
1200	8.38	9.02	9.02
1300	8.38	9.02	9.02
1400	8.38	9.02	9.02
1500	8.38	9.02	9.02
1600	8.38	9.02	9.02
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2400	8.38	9.02	9.02

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Vietnam succumbs to US fast food invasion

By Jeremy Grant in Hanoi

For fast food junkies in Vietnam, the news is good. But for the country's guardians of cultural correctness, the opening of a Texas Chicken outlet in Ho Chi Minh City today may be a little difficult to swallow.

The restaurant, the first US fast food outlet in Vietnam, is a joint venture between Atlanta-based America's Favorite Chicken (AFC) and PT Citra Selera Murni of Indonesia, owned by Mr Athang Latief, an ethnic Chinese businessman.

The restaurant, located within striking distance of foreign-financed hotels and office blocks, belongs to the same chain that owns Popeye's Chicken & Biscuits in the US. It can accommodate 100 people and features Texan motifs on its walls. The menu is simple: "southern fried chicken".

Although upmarket restaurants serving western-style food are common in a city with a growing foreign community, the food culture - as throughout Vietnam - is still based on the twin staples of rice and noodles. Yet AFC has plans to open 10 Texas Chicken outlets in Vietnam by 2000.

The price of a plate of chicken has not yet been disclosed, but locals are unlikely to find it a strain on the wallet. With an average annual per capita income of \$850, Ho Chi Minh City has started to attract a range of foreign investors in the leisure, restaur-

There has been an undercurrent of discomfort at 'unwelcome foreign influences'

rant and ice-cream business, chasing increasing purchasing power.

The fact that Texas Chicken is partly backed by an ethnic Chinese will no doubt help ensure the venture's success. Business in Ho Chi Minh City is dominated by those with Chinese connections, usually specialising in small-scale retail projects like restaurants and hotels.

Another restaurant venture is planned for Ho Chi Minh City by Mr B S Ong, the Singapore-based tycoon who plans to open a branch of the Hard Rock Cafe franchise, which he owns.

The timing of the launch of the US fast food concept in Vietnam is perhaps unusual, coming three months after the authorities started a campaign against "social evils", mostly prostitution, drugs and gambling. But there has been an undercurrent of discomfort at "unwelcome foreign influences".

As part of the drive, signs bearing foreign brand names and logos have been painted over.

Still, the existence of a Texan logo in bright red and yellow colours over the new restaurant may not grate too much with the Vietnamese government officials invited to today's opening ceremony. Some of them may already be familiar with the fast food concept.

Vietnamese and Thai entrepreneurs have opened a number of low-budget restaurants in the city centre in the last year. One such establishment operating on a main street until recently and serving barbecued chicken used Vietnamese lettering to style itself "Ca-Li-Pho-Ni-A".

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UN fails to agree outright ban on landmines

By Frances Williams in Geneva

The United Nations and humanitarian organisations yesterday vowed to step up their joint campaign for a complete ban on anti-personnel landmines, after representatives of more than 50 governments adopted a UN treaty merely to strengthen controls on their use and export.

In a statement to the closing session of the treaty negotiations in Geneva, Mr Boutros Boutros Ghali, UN secretary-general, said he was deeply disappointed by the failure to agree a ban. He called on all states to prohibit the production, stockpiling, use or sale of landmines. By the time of the next review of the treaty in 2001, another 50,000 civilians

would have been killed and a further 80,000 wounded by landmines, he said. "Furthermore, 10m to 25m landmines will have been added to the 110m already unexploded."

Some 34 countries have expressed their support for a ban and more than a dozen have unilaterally renounced the use of anti-personnel landmines, most of these since the

start of talks in early 1994 to revise the 1980 UN treaty on inhumane weapons.

Nearly 50 nations are observing a UN call for a moratorium on all or some landmines, including almost all those countries which used to be important exporters.

But big landmine producers, such as Russia, China, India and Pakistan, oppose a ban,

saying they still see a military need for mines to defend their borders. The US is said to be considering a phase-out but only by 2010.

Canada yesterday announced its intention to host a conference in Ottawa in September to mobilise support for an international landmine ban, to be attended by like-minded governments and non-govern-

mental organisations. Officials said the Canadian government planned to submit a resolution to the UN general assembly and would be pressing at the June meeting of the Organisation of American States for a "landmine free zone" in the western hemisphere.

Diplomats involved in the treaty revision, adopted after Pakistan withdrew earlier

objections, maintain that if respected the new rules will save many lives.

The rules, expected to enter into force later this year, will outlaw the use of undetectable plastic landmines and ban long-lived mines outside guarded fenced areas, though only after nine years. An export ban on prohibited mines begins immediately.

Tough line by Hongkong Bank surprises strikers

Manuela Saragosa on why foreign bankers are accused of misunderstanding Indonesian subtleties

The disputes between foreign banks in Indonesia and their staff - highlighted this week when Hongkong and Shanghai Banking Corporation dismissed a third of its workforce - reflects two causes of conflict in the industry: cultural misunderstandings between company and employees, and union power at foreign banks.

The disputes have been prompted by the renewing of collective labour agreements, known as CLAs, with union leaders. CLAs, which are peculiar to foreign banks as workers at local banks are not unionised, are renewed every two years and strikes and industrial action are a part of

the negotiating process.

At Hongkong Bank 187 employees have been fired, with the bank arguing that they were staging an illegal strike.

The union says the employees were sacked but management insists that, under Indonesian law, the strike was illegal as no application had been made a week earlier to the ministry of manpower - and therefore the employees had chosen to resign.

Citibank has so far managed to avert a protracted strike, although its staff have taken to wearing protest signs at work in recent months.

The dismissals at Hongkong Bank came as a shock to the

bank's union, which is part of the All Indonesia Workers Union, the only one recognised by a government which keeps tight control over organisation of labour. And Hongkong Bank's hard line in the negotiations may be setting a precedent for other foreign banks in Indonesia.

To members of the union, the problem with the negotiations was cultural. They claim that management was "dictatorial" in its talks and ignored the subtleties of negotiating techniques in Indonesian culture.

They argue that negotiations require time and patience, quoting the Indonesian principle of *musyawarah untuk*

musfakat, or "consensus decision-making", which is enshrined in the state ideology and means that decisions between negotiating parties should be unanimously agreed.

"If we are talking about consensus they have to understand about Indonesian culture," says Mr Ugianto, head of the Hongkong Bank union, who is one of the 187 dismissed employees.

However, Mr Philip Holbert, the bank's chief executive in Indonesia, noted that the negotiating team had been all-Indonesian.

To many foreign bankers the issue has more to do with the union taking advantage of favourable labour conditions.

CLAs are an obvious source of conflict, as they are made up of dozens of articles going into detail about each employment condition, and are renegotiated word-for-word.

In the murky world of Indonesian law, it is not clear whether CLAs are obligatory but most agree that the fact that foreign banks negotiate them is a sign of goodwill on their behalf. It is, however, a laborious process that can take as long as four months.

"It's a recipe for a problem. You can imagine the drain on a person's sanity," says a director of one foreign bank in Jakarta.

This argument, however, does not win favour with the

union. At Hongkong Bank they wanted across-the-board pay increases of 8.9 per cent and, among other things, were demanding severance pay of \$100,000 for anyone who was sacked and a letter of recommendation thrown in.

Hongkong Bank did not want to offer any pay increases, arguing that merit-based pay rises and other benefits already amounted to a sufficient improvement in the pay packages offered.

Union members also voiced complaints about promotion opportunities at Hongkong Bank, saying only those people with overseas degrees were promoted beyond supervisory level.

This, they say, creates a feeling of "class conflict" between management and junior staff. Management at the bank deny they limit promotions in this way.

Industry analysts say race may also be an issue. It is widely acknowledged that many Indonesian bank executives are of ethnic Chinese origin, a minority resented among other Indonesians for their disproportionate hold on the country's private capital.

Meanwhile, Hongkong Bank says it will continue operating normally and notes that "loyal staff" have been working overtime to make up for the labour shortage.

Indian reformer urges more federalism

By Shivraj Sdhuva in New Delhi

India's national political parties should become more federal and the country's states would work better together as a loose confederation, Mr P Chidambaram, who resigned as commerce minister in April to contest last week's elections on a regional party's ticket, said yesterday.

"All national parties should become federal parties because there is simply not enough wisdom which can take into account regional aspirations and evolve a national policy without offending regional sentiments."

"That kind of wisdom perished with Indira Gandhi and Rajiv Gandhi. It therefore seems not only necessary but also desirable that national parties become federal in character."

The Harvard-educated lawyer, considered one of the architects of India's economic reform programme, resigned from Mr PV Narasimha Rao's cabinet in protest at his Congress party's electoral alliance with the ruling party in Tamil Nadu, his home state.

He was subsequently expelled from the party.

The former minister said federal parties worked well in Germany and the US, and there was no reason why they should not work in India.

"At the state level, liberalisation has already forced decentralisation of power through a system of *panchayati raj* [local self-government at the village level], and will eventually lead to a more federal policy," he said.

"On an economic level, states are already separately wooing investment and separately developing their own infrastructure, but a parallel movement is necessary at a political level."

The election results next week are likely to show national political parties on the decline and a rise in the fortunes of regional parties.

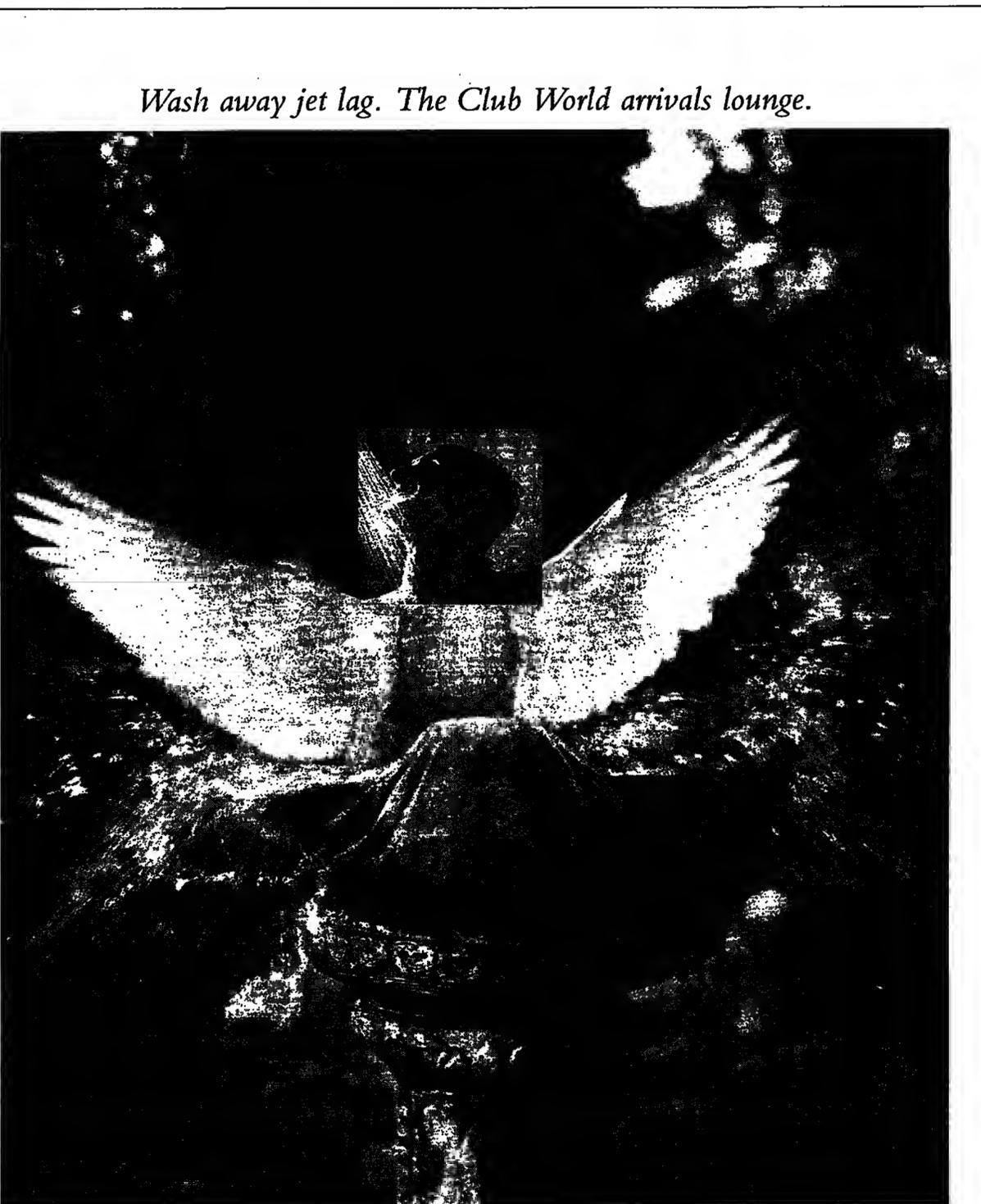
"This is because the leadership is unable to comprehend and accommodate state leaders - there is little effort made to understand them, and less effort to accommodate their aspirations, and so there are revolts at hand," explained Mr Chidambaram.

He pointed out that no national political party had been free from revolt in recent years; the Congress is facing revolt in several states.

According to Mr Chidambaram, the Janata Dal, which along with the left parties makes up the National Front, the so-called third force in Indian politics, had already achieved a federal character.

On economic reforms, Mr Chidambaram insisted they would not depend on which government was in power, but on who the reformers were in that government.

"Strong reformist leaders in charge of ministries including finance, commerce, industry, and agriculture could push the reforms component through more effectively in an apparently weak government than no reformers in a strong government."



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Saudi stake in power company is disclosed

By Patrick Harverson in London

The Saudi-controlled investment company closely involved in buying a 12.5 per cent stake in National Grid three days ago had previously taken an interest in 2.7m of the British transmission company's shares, it has emerged.

The news is likely to heighten political concern about ownership of the UK electricity industry. Only yesterday Midlands Electricity, one of the largest regional electricity companies, confirmed it was in takeover talks with a US utility, General Public Utilities, the New Jersey-based utility, is believed to be the suitor, although at least two other US groups are also interested in acquiring the British company.

The US utilities separately approached the company last week after Mr Ian Lang, the trade and industry secretary, unexpectedly blocked a bid for the company by PowerGen and a separate offer for Southern Electric by National Power, another generator.

Mr Lang's decision shocked the stock market, as did Thursday's additional announcement by the government that it would use its "golden shares" in National Power and PowerGen to block any bids for the generators until there was increased competition in the power generation industry.

The warning was partly intended to discourage another

US utility, Atlanta-based Southern Company, from pursuing an acquisition of National Power. Yesterday senior executives of Southern flew back to the US, indicating the group had decided to abandon its plans for a takeover of the generator.

Growing overseas interest in the UK electricity industry was highlighted by the news on Tuesday that the Olayan Group, a Saudi-controlled investment company, had become closely involved in the purchase from Hanson, the industrial conglomerate, of a 12.5 per cent stake in National Grid by stockbroker HSBC James Capel.

The group, controlled by Saudi financier Sheikh Sulaiman S Olayan, helped Capel buy the 210m shares by agreeing to enter a derivatives contract to protect the firm against a fall in National Grid's share price. Capel subsequently reduced the stake to 12.2 per cent.

However, it emerged yesterday that Olayan's involvement with the transmission company extended further. In the past few months it has accumulated an interest in 2.7m National Grid shares through other derivative transactions.

The reasons for Olayan's interest by Capel in the transmission company are unknown, but National Grid had talks with the group on Thursday and described its meeting as "constructive".

Very much in the public interest

Graeme Odgers, chairman of the Monopolies and Mergers Commission, explains how it safeguards competition in the electrical power industry

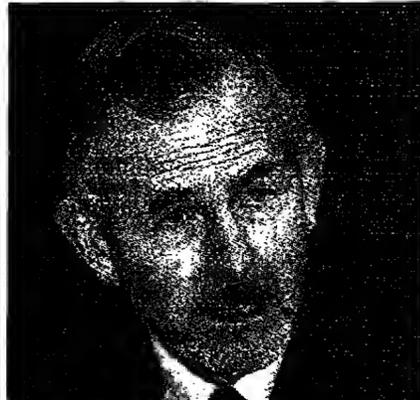
The Financial Times in its leader on mergers in the electrical power industry (April 25) invited me to reaffirm my commitment to the principle of stimulating competition. I do so without hesitation. But I find it ironic that the invitation should come the day after the publication of two Monopolies and Mergers Commission reports which are centrally concerned with competition in the electricity industry.

I also find it disturbing that, before the publication of our reports, a number of reputable commentators should have placed reliance on an account of a leak claiming that the MMC had reached its conclusions on the basis of a "national champions" argument. The leak is of course deplorable for wider reasons.

The MMC's task was to determine whether either of the mergers resulting from the bids by National Power for Southern Electric and by PowerGen for Midlands Electricity might be expected to operate against the public interest. As is set out in the published reports, we examined competition in the electricity generation and supply markets in depth, first in the absence of the relevant merger and then if the merger were to proceed.

We found that the generation market was becoming less concentrated and that this trend was likely to continue. In 1990 National Power and PowerGen between them had 73 per cent of the market; their market share is now 57 per cent.

We estimated this would reduce to less than 40 per cent over the next few years, taking account of the sales of existing capacity agreed by the companies with the director general of electricity supply, the regulator, and the amount of new independently owned capacity under construction or where planning is well advanced. We concluded this would provide a broadly satisfactory competitive environment in generation from 1997



Graeme Odgers: convinced of soundness of regulatory system

onwards in the absence of the proposed mergers.

We looked at competition in the electricity supply market. We found that that part of the market where competition is permitted (namely customers with a demand of more than 100kW) is highly competitive.

We then considered the effects of each merger. In relation to competition in generation, we concluded that adverse effects would follow the acquisitions by National Power and PowerGen of the equity interests in independent power producers owned by Southern Electric and Midlands Electricity and of their rights under associated power purchase agreements.

We looked at the ability of National Power and PowerGen to influence the level of electricity pool prices. We concluded that, provided the general effects from the links with the independent power producers were dealt with, the ability of the two large generators to affect the levels of these prices for a sustained period - to keep them high or to cause them to fluctuate - would be small.

We considered the effect of the mergers on the market for contracts between generators and suppliers (the so-called contracts for differences). We concluded that, even if both mergers went ahead, this market would continue to be a healthy one.

We examined the effect of each merger on competition in both parts of the supply market. We concluded that neither merger would make a significant difference to the already highly competitive over-100kW market.

The under-100kW market was more difficult to assess because it will not become competitive until 1998. Opposing views were put to us. We concluded that neither merger would reduce competition in this area.

We examined the regulatory implications of the mergers and concluded they would make it more difficult for the director general to implement the regulatory regime, contrary to the public interest.

Much has been made in the press of our conclusion that each merger would create a company better able to com-

pete in international markets. When considering the public interest, we are required under the Fair Trading Act to have regard to, among other things, the desirability of maintaining and promoting competitive activity in overseas markets by UK companies. Both our reports state we did not consider this benefit was sufficient to outweigh the detriments of each merger. Accordingly, we concluded that both mergers might be expected to be against the public interest.

We considered, however, that the adverse effects of the mergers were not sufficiently serious to justify prohibition. We proposed alternative remedies.

It is not unreasonable for others to take a different view about the future development of competition in the electricity industry. Indeed one member of our own panel produced a minority report.

I suggest however that it is wholly unreasonable, and flies in the face of what we say in the two reports, to imply that we reached our conclusions because we were insufficiently interested in maintaining and promoting competition or because we have an overriding commitment to the development of "national champions".

The trade secretary agreed with the MMC's adverse findings on the mergers. I was personally disappointed when he did not accept our recommendations for how these might be remedied. I am now disappointed when this happens, as it does from time to time.

However, I am convinced of the soundness of our tripartite regulatory system, which leaves the final decision in cases where the MMC has made an adverse finding to the trade secretary who is answerable to parliament. We should not be surprised when on complex and controversial matters there are occasional differences of view between ourselves and the trade secretary. I do not see that in any way undermining the position of the MMC.

Society may lose pensions cash

By Norma Cohen in London

Halfax Building Society could lose millions of pounds of deposits from pension schemes whose members are being denied bonuses when the society, a mutually owned savings and loan institution, converts to a bank next year.

At least one scheme, covering more than 50,000 employees of J. Sainsbury, the supermarket chain, is threatening to withdraw about £5m of its members' money. The funds are additional voluntary contributions (AVC) to the pension scheme which can be cashed only when members retire.

Managers of the £4bn (£6.04bn) BBC pension scheme are also believed to be considering withdrawing their members' AVC funds from the Halfax for similar reasons.

Halfax, the country's leading society, has about £123m on deposit in such contributions from members in about 400 pension schemes.

The society is expected to float on the stock market next year following its merger last year with the Leeds Permanent society. Investors are to receive free shares, but the amount to be distributed is not clear.

Halfax has told the Sainsbury pension scheme that, because AVC funds are held in deposit accounts, these

investors are not deemed to be society members, only depositors. However, Mr Geoffrey Pearson, manager of the £1.8bn scheme, said the contributions were long-term investments and that the fund's members ought to be rewarded accordingly. "We want to do the best thing for our members," he said.

Mr Pearson said he had tried to convince Halfax to extend share or bonus payments to scheme members. Last month he wrote to the Halfax noting that scheme members were earning an annualised rate of 5.4 per cent on their AVCs compared with a rate on Tessa tax-free savings accounts of 5.66 per cent, plus a further bonus on flotation.

He warned in his letter: "As I am sure you are aware, a revolt is developing throughout the pensions industry which may well undermine your flotation plans."

The Sainsbury pension scheme offers members a choice of three different providers with which AVCs can be invested. Halfax was chosen in 1983, and scheme members have been putting about £1m of their AVCs there a year. Roughly 12 per cent of Sainsbury scheme members have AVCs.

Halfax declined to comment on the Sainsbury scheme's move, saying it could not discuss its clients.

Rescue scheme planned for BSE-free beef herds

Financial Times Reporters in Brussels and London

Mr Douglas Hogg, the UK agriculture minister, yesterday set out plans for a new quality assurance scheme for grass-reared cattle, which the government hopes could eventually form the basis for a partial lifting of the EU beef export ban.

The Mature Beef Assurance Scheme is intended to allow onto the UK market high-quality meat from specialist grass-fed herds whose animals mature later than 30 months. Beef covered under the scheme would come from herds which had not recorded any cases of BSE, or "mad cow disease" for at least seven years. The scheme will apply particularly to organic producers, farmers with pedigree herds and hill farms covering an estimated 3 to 5 per cent of UK beef production.

Traditional producers have

been hit hard by the new rule that all beef cattle aged over 30 months must be destroyed to try to combat BSE. The National Farmers' Union welcomed the scheme, but said it would have to be policed very strictly. "Farmers in it will have to keep absolutely top-top records - one mistake and you're out," said Mr Ian Gardiner, NFU policy director. Mrs Angela Browning, the junior agriculture minister, said: "It is important to get this high-quality beef from prime British cattle back onto the menu."

Ministers hope for a speedy introduction of the voluntary scheme, and the consultation period will end on May 17. Farmers in Scotland, which has the highest concentration of specialist beef herds, will particularly benefit. Mr Hogg is understood to believe that the quality assurance scheme could offer the kind of safety guarantee demanded by many EU agriculture ministers.

Harrods chief buys radio station

The short and troubled life of Viva Radio, the UK's first radio station for women, took another twist yesterday when it was bought by Mr Mohamed Fayed for £3m (\$4.5m), Christopher Price writes. Mr Fayed owns the Harrods store in London. However, the purchase of Viva's first 10 months of operations, was plunged into controversy when the station's new owner clashed with the Radio Authority over the terms of the licence.

Liberty Publishing, a subsidiary of Harrods, and Mr Fayed's new media arm, initially said it planned to abandon the all-women format. But the company later issued a clarification of its purchase announcement to make it clear it would "adhere to the spirit" of providing a service aimed at women aged between 25 and 44 in the London area.

Mr John Dux, chief executive of Liberty, said: "We intend to broadcast a broad range of programmes, and if we attract a majority of women listeners we will have succeeded. If motor racing attracts a lot of women listeners, we'll broadcast it." He added that the "niche programming" of Viva had "failed miserably". Golden Rose Communications, the station's owner, is thought to have spent £1.5m on Viva since its launch.

Mr Dux's views suggest divergence from the vision which brought Viva to the airwaves. Launched by a cast of women celebrities, the station aimed to attract career women, "who do not want to be patronised with bland, old-style knitting patterns and cooking recipes".

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Losses reversed after Office of Fair Trading admits mistake caused by 'human error'

Blunder by watchdog hits company's shares

By David Blackwell in London

A mistake by the Office of Fair Trading yesterday sent shares tumbling in Colorvision, the Liverpool-based television and video retailer that has been fighting to retain its consumer credit licences.

When the market opened the shares rapidly fell from 26p to 16p. However, it is understood that there were no trades until after the stock exchange withdrew the OFT press release, which was dated January 26 and headed "Colorvision loses

consumer credit licences". By 08h46 London time the screens were showing that the reverse was true, and the shares recovered to close up at 32p. The exchange would only say yesterday that it was "looking into the matter", while the OFT put its mistake down to "human error".

The OFT has accepted Colorvision's assurances on its future conduct following a shake-up of the board that has ousted the brothers who founded the group 32 years ago. It will not contest the

group's appeal against the revocation of its credit licences - although the final decision rests with ministers.

Mr Neville Michaelson, who was chairman, and his brother Bernard, have agreed to transfer for no consideration more than half their 67 per cent holding. One analyst described the deal with the OFT as "pretty severe" for the brothers, who had had to choose between retaining 67 per cent of nothing or 30 per cent of what the new management could generate. The

Michaelsons retain just over 6m shares, or 29.9 per cent. A further 29.9 per cent will be divided between Sir Brian Wolfson, the former Granada joint chief executive who becomes executive chairman; Mr Adrian Collins, a former head of Garton, is a new non-executive director; and Strand Partners, which has acted as the group's financial adviser. Mr Anthony Rawlinson of Strand also becomes a non-executive director. The remaining 6.8 per cent of the shares will be placed in a discretionary trust for the benefit of the group's key employees.

The OFT said the Colorvision case was the first time it had accepted undertakings after revoking licences. In October last year, when the initial warning was issued, Colorvision had failed to convince the OFT that the group was fit to keep the licences.

Colorvision warned last month that sales excluding satellite systems had fallen 29 per cent since January 26, when the OFT took action to revoke the licences.

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UK NEWS DIGEST

Revenue service investigates offshore funds

The Inland Revenue is investigating the activities of the offshore subsidiaries of UK building societies following concerns that the rapid growth of the subsidiaries was leading to loss of tax revenues. Building societies are Britain's main savings and loan institutions. Ms Kate Main, under-secretary at the Building Societies Association, said: "The Inland Revenue has been asking a number of questions of the parent companies. It is trying to establish whether the offshore companies are genuine subsidiaries."

Most of the UK's large banks and building societies have offshore subsidiaries usually in islands near the British mainland such as Jersey, Guernsey or the Isle of Man. For example, Abbey National has a subsidiary in Jersey which has more than £2bn (£3bn) in retail and wholesale funds. Offshore subsidiaries of UK building societies have more than 6500 in deposits. The Revenue would not comment yesterday.

Industry experts, however, said that it was increasingly worried by the possible loss of taxes, both as a result of companies earning profits offshore, and from potential tax evasion by UK taxpayers. Industry insiders said that most building societies were being examined, but the Revenue was especially interested in those which aggressively marketed offshore subsidiaries in the UK, or which paid higher rates offshore. Most offshore subsidiaries of banks and building societies are careful not to seek money actively from UK residents since it might attract business from those seeking to evade tax.

Roger Taylor, Personal Finance Staff

Many experimenting with drugs

Almost half of people aged between 16 and 29 have tried illegal drugs, says the latest British Crime Survey, a government-backed report. But most of those who have tried drugs say they have done so on a one-off basis or only occasionally. One in four have taken drugs in the past 12 months, and one in seven admit to being regular users. Cannabis is the most commonly used drug, and is twice as popular among younger people than other drugs. The 1994 study was based on interviews with 10,000 people aged 16-59.

It says use of drugs declines with age. Teenagers aged between 16 and 19 were most likely to be users, with one in five claiming to have taken drugs in the past month. Of the drug users, 14 per cent had tried amphetamines or speed, 13 per cent poppers, 10 per cent magic mushrooms, 9 per cent LSD and 6 per cent ecstasy. Just 3 per cent had tried cocaine and fewer than 1 per cent had experimented with heroin, crack or methadone.

PA News

Company failures decline

The number of British companies failing declined sharply in the first quarter of 1996, reaching its lowest level for nearly six years, said the British Chambers of Commerce. Some 3,285 companies became insolvent in the first quarter. This was down almost 12 per cent on the previous quarter, after adjusting for normal seasonal patterns. Over the past year 1.5 per cent of active companies have become insolvent. "This is further evidence of a sustained recovery and, in particular, reflects the continued improvement in the performance and cashflow position of the small business sector," said Mr Ian Peters, deputy director-general of the chambers. Insolvencies have been falling off steadily since late 1992, when they peaked at more than 6,000 in the second quarter. The number of individuals declared bankrupt also fell in the first quarter of this year, dropping to 6,453 from the 6,481 recorded in the fourth quarter of 1995. But the number of individual insolvencies remains higher than it was a year ago.

Robert Chote, Economics Editor

Sweepstake ends at Exchange

The combined effects of the National Lottery and Big Bang have ended one of the London Stock Exchange's longest-running traditions. The annual Derby Sweepstake, which used to offer a first prize of £25,000 (£52,850), has been abolished. The sweepstake, which became a grand event before the Second World War, has suffered a gradual decline since the end of trading on the exchange floor in 1988. It has also been affected recently by competition from the National Lottery. Tickets were sold for £2 each and, in the late 1970s, City enthusiasm was so great that it offered a first prize of some £25,000 while giving £20,000 to charity. Last June, the first prize was only £13,500 and the charity donation £2,500.

Mr Bill Legge-Bourke, one of the two trustees of the event, said its abolition had been a "very difficult" decision. "It was intended for another world," he said.

John Gapper, Banking Editor

Some players 'are addicts'

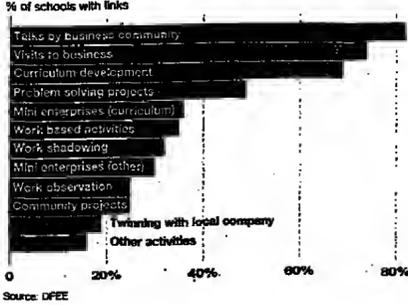
Some people are addicted to playing the National Lottery, said Ms Louise White, public affairs manager of Camelot, the consortium which administers the National Lottery. She said at a conference about the lottery organised by the Scottish Council for Voluntary Organisations that a "small percentage" of lottery players were undoubtedly spending more than they should. "Socially there have been obvious areas of concern particularly with regard to addiction and under age playing," she said. "The addiction problem does exist; there is undoubtedly a small percentage of players who are unfortunately spending more than they should on the lottery. But it is a small percentage."

PA News

Contracts: VarsityPerkins, the Peterborough-based diesel engines subsidiary of Varsity Corporation of the US, has won initial orders worth \$50m (£33.1m) for its new range of compact, very low emissions diesel engines launched in Germany last month. First customers include forklift manufacturer Boss and materials handling group Clark.

Lucas Industries, the automotive and aerospace group, has won an order, worth \$27m (£13.2m) over two years, to supply starters, alternators and engine distributors to Volkswagen car plants in Brazil.

Drawing closer to business



Schools back plan for links with local businesses

By John Authers in London

Links between business and schools, which recently received significant support from the government, are already becoming firmly established in schools for pupils aged over 11.

According to the most recent figures from the Department for Education and Employment, 92 per cent of such schools have some links with business, and 98 per cent of pupils in their final year of compulsory schooling are involved in work experience.

The move follows growing complaints by employers' organisations that schools are failing to equip children with the skills they will need in

the workplace. Industry in Education, an employers' group which received government backing when it started three years ago, claims that failure to concentrate on "employability" in schools costs the UK £2bn (£12.1bn) a year.

The group said earlier this year that if schools prepared children better for the world of work, annual savings would include £2bn in state benefits, £2bn from an increase in "national wealth", £2bn in the negation of costs arising from employees' poor numeracy and literacy, and £1bn from the removal of productivity costs caused by the slow adjustment to work of new recruits.

To bolster co-operation, Mrs Gillian Shepherd, the education secretary, has announced that schoolchildren may be allowed to spend one day a week in business with the possibility of a second day in further education. Employers now want to address how to expand the links they have made, and measure the benefits.

Mrs Shepherd's consultation document, released at the Secondary Heads Association conference, tackled these issues, and attempted to ensure that a wider range of companies is involved.

The main proposals are to allow children aged 14 to 16 to spend a day each week in work experience, with

the possibility of an extra day studying at college.

Employers' organisations: the opposition Labour party; and Sir Ron Dearing, the government's chief curriculum adviser; seem certain to ensure that companies will be offered more opportunities to work with schools.

According to the department's statistics, most school links are with large companies employing 500 people or more.

The department found that 82 per cent of schools staged talks by the business community, but only 38 per cent attempted more ambitious "mini-enterprises," and only 33 per cent

offered "work shadowing".

Mrs Shepherd's proposals would build on the introduction last year of part one 'general national vocational qualifications', which would be taken in areas such as manufacturing.

The Confederation of British Industry, the country's highest employers' organisation, has produced a code of practice emphasising that involvement with schools should be assessed as rigorously as any other investment by the company, with clearly defined objectives. It wants all its members to build such links by the year 2000, while all primary and secondary schools should establish a relationship with at least one business.

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BT and Cable and Wireless get disengaged

The telecoms giants go their separate ways now the merger is off, writes Alan Cane

The telecoms merger of the decade may have evaporated, but for the two participants, it was business as usual yesterday. British Telecommunications and Hongkong Telecom, the principal objective of its proposed merger with Cable and Wireless, have signed a deal through which the C&W subsidiary would distribute "Concert" services to multinational companies in Hong Kong. Concert is BT's joint venture with MCI of the US, and its chief international operation.

on for some six months, were abandoned on Thursday evening after the C&W board decided the potential rewards did not merit the risks involved and opportunities missed through going on. The difficulties included uncertainties about regulation in the UK, political approval in Hong Kong, where C&W has the majority stake in Hongkong Telecom, and a stand-off between subsidiaries of the two companies in Germany. While both sides are playing down the issue, there was also a clash of cultures between the two groups, one twice the size of the other, with uncomfortable questions about the roles the top executives would be expected to fulfil in the merged company.

executive, said yesterday that although it had been a unique experience and opportunity, little progress had been made in the talks in the past four weeks and there seemed little hope of more progress in the months ahead. This argument cuts no ice with Mr Olsen, who says determinedly: "Cable and Wireless is not for sale." He insists that the collapse of the merger negotiations will have no effect on the group's ambitions to "pursue its strategic objectives in its chosen markets free from the uncertainty of the past few months."

Mr Olsen said there would be no logic in selling Hongkong Telecom, which was the source of most of the group's profits and its bridgehead to China. He also rejected the idea that Mercury Communications could be up for sale, pointing out that it was the core of the group's European operations. He said that Mr Peter Howell-Davies, the managing director, was implementing a strategy which was returning the company to health after a difficult period: "Mercury is no longer the sick child of the group."

Mr Olsen said that the new chief executive, a male North American, would be announced shortly. Mr Olsen said he would not return to his previous post as chief financial officer but would act as deputy chief executive. "It will take some years for the new man to understand a company as complicated as this," he said. Analysts agree that Mr Olsen, the last of C&W management's old brigade, is the only man who knows all the company's secrets, dark and otherwise.

FDA advisers' decision hits shares in SB

Shares in SmithKline Beecham, the UK's second biggest pharmaceuticals company, dropped 49p to 862p yesterday after advisers to the US Food and Drug Administration voted against recommending approval of Coreg, one of its heart drugs.

SmithKline, with Boehringer Mannheim, its German partner, had been hoping to move Coreg into the less crowded market of the treatment of heart failure. However, advisers to the FDA argued that several clinical trials, involving more than 1,600 heart failure patients, had produced results that were not comparable with each other. For example, some trials measured quality of life while others measured the progression of the disease. The panel of experts voted against recommending approval by four to two. The FDA usually follows its recommendations. SmithKline believes that the product is still effective. It says it has submitted the results of more clinical trials which may persuade the FDA to approve the drug in spite of its advisers' opinion. That has happened in the past. The FDA approved SmithKline's drug Kytril, for limiting the side-effects of cancer chemotherapy, against the panel's advice. If approved, Coreg would be used to treat "congestive heart failure", a condition in which the heart's ability to pump blood deteriorates. In the US, congestive heart failure is the chief cause of 40,000 deaths each year, and a contributing factor in another 225,000.

notoriously litigious drugs industry arose as a side-effect of the provisions of the Gatt free trade agreement adopted last year. That agreement amended the rules on how a patent life is calculated. The new rules say pharmaceuticals should have patent protection for 20 years from the filing of a patent application rather than 17 years from its approval. Many drugs were not affected, but the lifespan of the older of the two patents protecting Zantac was extended from December 1995 to July 1997. The extra 18 months is worth more than \$1bn (£600m) to Glaxo in sales.

China factor keeping HK Telecom in the spotlight

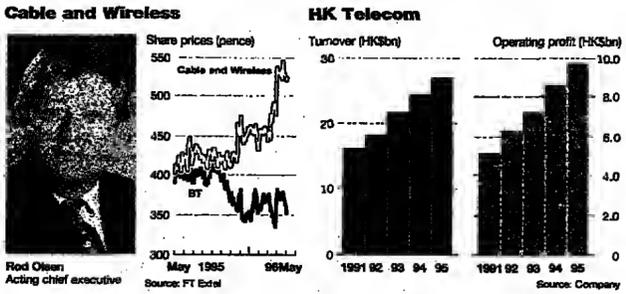
Big international players are being drawn to C&W's Asian star, writes John Ridding

Hongkong Telecom, the biggest and most profitable part of the C&W empire, is likely to stay in the spotlight despite the collapse of the merger talks. The "China factor" and the strategic drift now threatening C&W may fuel corporate manoeuvres around its Asian star. "C&W will now have to look at how to maximise shareholder value, and the answer may well be forging partnerships or spinning off assets," says Mr Andrew Harrington, regional telecoms analyst at Salomon Bros in Hong Kong. The big international players and some local groups are drawn to Hongkong Telecom by a range of factors which include the prospect of a strategic base in the Asia-Pacific region, a share of profits which totalled HK\$9.76bn (US\$1.26bn) in the year to end-March 1995, and by Hongkong Telecom's international direct dial monopoly.

One scenario touted in the investment banking community is the sale of a stake to a Chinese concern or to a Hong Kong company with mainland connections. This would follow the pattern of a significant restructuring in Hong Kong's aviation industry this week which saw Citic Pacific, a Beijing-backed investment group, take a big stake in Cathay Pacific, the UK-controlled airline and the territory's de facto flag carrier. Possible partners for Hongkong Telecom include China's Ministry of Post and Telecommunications and Citic Pacific, which already holds 10 per cent of the operator. Some analysts also cite the three new Hong Kong operators which received licences last year.

"A stake or a partnership could be attractive to a company like Hutchison Telecom," said one banker, referring to the telecoms arm of Mr Li Ka-shing's business empire. Ironically, the Hong Kong tycoon once held 5 per cent of C&W, selling out in 1990 apparently after failure to secure influence on the board. The various options demand significant caveats. Many of the regulatory obstacles which undermined the merger plans with BT - such as the need for approval from Hong Kong and Beijing - would hold for any suitor. A parallel with the aviation sector is not straightforward. "British control is an irritant ahead of the transfer of

sovereignty, but unlike aviation there are no mainland players banging on the door," says one industry executive. A slice of Hongkong Telecom would cost a lot more than a stake in Cathay Pacific. "You would need 10 per cent just to get noticed at the board level and that would cost about US\$3bn," says Mr David Gibbons, telecoms analyst at James Capel. Reasons for the high price include the prospect, according to Mr Harrington's forecasts, of average profits growth of about 15 per cent per annum over the next five years. The operator's international monopoly on direct dial calls, due to last to government review last month. Yesterday, Hongkong Telecom's shares fell 2.3 per cent, reflecting some concerns about the collapse of the merger. Analysts played down the decline, however, pointing to a sharp fall in the market overall, and to the scope for further deals to support the operator's position.



Abbey National to pay £121m for Wagon Finance

Abbey National is to buy Wagon Finance, the used car financing group, from United News & Media for £121m. Wagon, which ranks about fifth in the UK used car financing market with about 150,000 customers and a loan book of £350m, will boost Abbey's drive into consumer finance. It will retain the Wagon name, but will operate as a subsidiary of First National Finance Corporation, the consumer credit group Abbey bought last year for £285m. Loans on used cars generally offer much fatter margins than

new car financing, where credit costs are negotiated by the manufacturer and factored into the sale price. Wagon operates in the higher margin end of the market; it has relationships with about 5,000 car dealerships, most of them small and family-run. Wagon, which was owned by the MAI media and financial group, was put up for sale when MAI merged with United News & Media. Abbey will pay £108m in cash for Wagon, which recorded pre-tax profits of £12.2m in the year to June 30, 1995. In addition, £13m of subordinated debt owed to United will be refinanced on completion of the sale.

Mr Tim Ingram, chief executive of First National Finance, said the acquisition would allow his group "fast entry to a growing market". Mr Ingram said: "The used car finance market is growing at approximately double the rate of the new car market. Growth in car finance business is expected to remain strong, given the decline of the company car and the increase in the number of cars per family." The four leading competitors in the used car finance market - Chartered Trust, Loyds Bowmaker, Lombard and NWS - are all subsidiaries of mainstream banks.

Mr Andrew Perloff, chairman of Panther Securities, the property investment company bidding for Elys (Wimbledon), has written to Elys shareholders warning of a possible conflict of interest between the trustees, who are the directors, and the beneficiaries. "We believe that the experiences of the Mirror Group Pension Fund and the Barings Foundation have shown the risks of pension funds and trusts holding all their eggs in one basket," he wrote. He has also asked the Charity Commissioners to investigate the actions of the trustees, who control 39.17 per cent of the department store. On Wednesday Mr John Moyle, chairman of Elys, recommended that shareholders ignore Panther's revised offer and said the trustees also believed it to be "inadequate". Yesterday, Panther had received acceptances representing 50.47 per cent of the issued share capital. Under the City Code, the bid is deemed partial and cannot become wholly unconditional until Panther has more than 50 per cent of Elys shares in issue that it does not already have. It owns 30 per cent.

United News & Media, the newspaper and television company, yesterday appointed Mr Stephen Grabner as executive director of all its newspapers and advertising periodicals. Mr Grabner, 37, has worked at The Telegraph for 10 years and been managing director since 1994. The appointment is a clear indication that the new group - created by the merger of United, publisher of the Daily and Sunday Express, with MAI, the television and financial services group - is serious about trying to revive Express Newspapers. Both the daily and the Sunday Express have been losing circulation for many years. "We are going to give Associated a run for its money," Mr Grabner said yesterday. Associated, publisher of the Daily Mail and Mail on Sunday, has long since overtaken the circulation of both the Daily and the Sunday Express. Mr Grabner, who used to be a consultant with Coopers & Lybrand, said he would now look at every part of United's newspaper operation with the aim of "freeing up resources" to put them where they were most needed - in editorial and promotion. Lord Hollick, chief executive of United, said: "Stephen's appointment as chief executive of our newspaper division emphasises United's commitment to revitalise and strengthen its newspaper and periodical businesses."

Virgin to become biggest operator of multiplexes

Virgin Cinemas is planning an expansion which will involve building 18 multiplex cinemas in the next four years. The plan will double the number of large, modern, multi-screen cinemas to 37, and make Virgin the biggest operator of multiplexes in the country. Mr Richard Branson, chairman of the Virgin Group, is funding the development by selling most of the traditional high street cinemas bought as

part of the £190m acquisition of the MGM chain in July last year. AEC Cinemas, a company run by Mr Barry Jenkins, MGM's former managing director, has signed a contract to buy 90 of the High Street cinemas for a total of £68m. The money will be used for the multiplex development. "The deal will enable us to considerably speed up our expansion plans," Mr Branson said. The Virgin chairman says he has become more excited about future opportunities for

cinemas in the UK. This week the Cinema Advertising Association said that cinema admissions, at 36.5m, in the first quarter of this year were the highest since 1975. Virgin is keeping five traditional cinemas in London - in Chelsea, Fulham Road, Ealing, Hammersmith and Haymarket. Four Virgin multiplexes are already under construction at Rochester, Wigan, Aberdeen and Newport. Negotiations are under way on the remaining 14. Virgin recently opened a multiplex in Dublin.

Mr Goldman, managing director of the Momentum Group, believes the fund focuses on an exceptionally promising growth sector, while capitalising on the fact that many investors know a great deal about sport and sports companies. "My concierge can understand the corporate structure of Manchester United in the same way an analyst would know about Glaxo." The fund is registered in Luxembourg, with plans to create an investment vehicle, such as a unit trust, which is directly marketable in the UK. The minimum investment in the fund is £25,000, but the UK vehicle would have greater appeal to smaller investors. It will be managed by the Momentum group which runs 17 funds, with about \$300m (£132m) under management.

Glaxo defends Zantac patent

Glaxo Wellcome, the UK's largest drugs company, may have successfully deflected attempts to reduce the US patent life of its blockbuster Zantac, the world's best-selling medicine, thanks to a decision by the US Senate Judiciary Committee. The committee said manufacturers of off-patent drugs should challenge the patent lives in court. Novopharm, a Canadian manufacturer of such generic drugs, said yesterday that court action would take so long that patents would expire before the court action was concluded. The fight over patents in the

notoriously litigious drugs industry arose as a side-effect of the provisions of the Gatt free trade agreement adopted last year. That agreement amended the rules on how a patent life is calculated. The new rules say pharmaceuticals should have patent protection for 20 years from the filing of a patent application rather than 17 years from its approval. Many drugs were not affected, but the lifespan of the older of the two patents protecting Zantac was extended from December 1995 to July 1997. The extra 18 months is worth more than \$1bn (£600m) to Glaxo in sales.

Entrepreneurs to join Brightstone

Brightstone Properties, the property management and investment company targeted by a \$2.68m hostile bid from Clarke Nickolls & Coombs, said yesterday it planned to appoint entrepreneur investors Mr Luke Johnson and Mr Matthew Allen to its board. Mr Brent Pollard, Brightstone chief executive, said the two men and Mr Hugh Omond, a fellow director of Mr Johnson at PizzaExpress, would inject about £2m into the company. Initially they will subscribe for 300,000 new shares and then have rights to a further 2.5m new shares. Their ultimate holding will be less than 10 per cent. He said Brightstone, advised by Singer and Friedlander, would sell its £10.4m property portfolio and seek a substantial reverse takeover outside the sector. Mr Johnson, PizzaExpress

Oxford Molecular nets £50m

Oxford Molecular, which develops software for drugs research, has placed 15m shares with institutions, raising £50m for its original venture capital investors. Mr Derek Marsh, finance director, said the company, which was formed out of a unit of Oxford University, was supported by venture capitalists in its first five years prior to flotation in 1994. At the time of the float, venture capitalists and some directors agreed not to sell any shares for two years, a period which lapsed last week. Out of 57m shares in issue, 30m emerged from the lock-up period last week. It said the placing was more than two times oversubscribed. The group, which last week announced 1995 increased pre-tax losses to £3.6m, raised £16.2m in a 1.07-rights issue earlier this year.

Panther stalks Elys' trustees

Mr Andrew Perloff, chairman of Panther Securities, the property investment company bidding for Elys (Wimbledon), has written to Elys shareholders warning of a possible conflict of interest between the trustees, who are the directors, and the beneficiaries. "We believe that the experiences of the Mirror Group Pension Fund and the Barings Foundation have shown the risks of pension funds and trusts holding all their eggs in one basket," he wrote. He has also asked the Charity Commissioners to investigate the actions of the trustees, who control 39.17 per cent of the department store. On Wednesday Mr John Moyle, chairman of Elys, recommended that shareholders ignore Panther's revised offer and said the trustees also believed it to be "inadequate". Yesterday, Panther had received acceptances representing 50.47 per cent of the issued share capital. Under the City Code, the bid is deemed partial and cannot become wholly unconditional until Panther has more than 50 per cent of Elys shares in issue that it does not already have. It owns 30 per cent.

Telegraph chief goes to Utd News

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Sports investment gains Momentum

For Mr Michael Goldman, the enduring challenge of how best to match business and pleasure has found its perfect outlet in the Momentum Premier Sports fund, the world's first international sports investment fund. Launched this week, it attempts to capitalise on the increasing commercialisation of sport, fuelled in recent years by the exponential revenue growth allowed by expanding television coverage, and the growing professionalism in sport. It will invest in listed companies focused in three areas: sports groups and amenities, apparel and equipment manufacture. Initial holdings will include companies like Manchester United in the UK, and Nike and Callaway Golf in the US.

Mr Goldman, managing director of the Momentum Group, believes the fund focuses on an exceptionally promising growth sector, while capitalising on the fact that many investors know a great deal about sport and sports companies. "My concierge can understand the corporate structure of Manchester United in the same way an analyst would know about Glaxo." The fund is registered in Luxembourg, with plans to create an investment vehicle, such as a unit trust, which is directly marketable in the UK. The minimum investment in the fund is £25,000, but the UK vehicle would have greater appeal to smaller investors. It will be managed by the Momentum group which runs 17 funds, with about \$300m (£132m) under management.

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COMPANIES AND FINANCE: UK

Pearson warns it will face £46m loss from Mindscape

By Raymond Snoddy

Pearson, the information, publishing and entertainment group, yesterday warned that Mindscape, its US software publishing company, would show losses of \$46m this year.

Lord Blakenham, chairman and chief executive, told Pearson's annual meeting that many of its businesses had begun the year well "with one important exception": that was Mindscape, formally Software Toolworks. Bought in 1994 for \$300m, it had an operating loss of \$6.7m last year.

The group's shares dropped by 18p to 677p as analysts reduced their pre-tax profit forecasts for 1996. Mr Anthony de Larrinaga, at Panmure Gordon, said he was reducing his

forecast for Pearson, which owns the Financial Times, by \$7m to \$245m.

Pearson plans a complete reorganisation of Mindscape, which will focus on a narrower range of longer-life products. These, Lord Blakenham promised, would be more effectively distributed and marketed.

"The actions we are taking as a result of the review are likely to result in 1996 in losses of approximately \$46m at Mindscape of which \$30m are non-recurring charges," he said. Part of the cost would come from moving to a more conservative accounting regime for writing off development costs: only about \$8m would affect this year's cash flow.

During the meeting, the

board was challenged by a small shareholder, Mr Simon Israel, who said he had warned at a previous AGM that Pearson had spent the proceeds of the "brilliant" investment in British Sky Broadcasting on "a second class outfit".

Mr Israel suggested that Pearson's boardroom was "a very special place where one can make mistakes but no colleague is ill-mannered enough to criticise and no-one gets punished".

Lord Blakenham said it would be wrong to say that hard-bitten discussions did not take place, but there was no need to be ill-mannered.

Mr Israel argued that someone in Pearson had made a mistake on Mindscape.

"Why was the person respon-

sible for making that decision not done the decent thing that is applicable to every other company - that if you make a mistake of that proportion you resign?" Pearson directors said that with hindsight there had been too many products not of high enough quality.

Mr Frank Barlow, group managing director, said: "We think we will restore this business (Mindscape) to health."

To coincide with the annual meeting, the National Union of Journalists branch at the FT issued a statement drawing shareholders' attention to their "grave concern" that current cost cuts at the newspaper would "impair its future and squander the value of a brand that has been built up over many years".



Lord Blakenham: there was no need to be ill-mannered

Grid sheds light on stake sale

By Roula Khalaf and Samer Iskandar

National Grid yesterday shed some light on the mystery surrounding the recent sale of 210m of its shares to HSBG James Capel, and the involvement of Saudi billionaire Sultan S Olayan in the transaction.

On Tuesday HSBG James Capel paid Hanson, the industrial conglomerate, £406m for 210m shares of National Grid, or 12.5 per cent of the company then hedged its risk by entering into a derivatives contract with a subsidiary of the Athens-based Olayan Group, run by the Saudi financier.

The transaction fuelled speculation about the ultimate owner of the shares.

National Grid said yesterday the Olayan Group had in effect underwritten James Capel's purchase of the shares. In return the stockbroker, which is the legal owner of the stake, entered into an off-balance-sheet derivatives transaction, whereby it shares with Olayan the gains as well as the losses of the portfolio.

Although the Olayan Group officially owns no shares in National Grid, it has in the past few months accumulated an interest in 2.7m shares of National Grid shares, through other derivative transactions. This leaves Olayan's total exposure at more than 12 per cent. The government holds a "golden share" in National Grid, which allows it to stop any investor from owning more than 15 per cent.

After meeting with senior executives of the Olayan Group and HSBG, National Grid said yesterday it welcomed the group's decision to increase its exposure to the company.

"The Olayan Group gave us a detailed history of its global activities and its previous investments in the company," National Grid said.

"It highlighted the long-term nature of its investment philosophy and explained to us that as a result of the structured transaction with HSBG James Capel the Olayan Group has acquired an economic exposure to the performance of our shares."

Power behind the golden shares

Simon Holberton analyses the conflict of new found economic nationalism and a desire for competition

This week the government told potential bidders for National Power and PowerGen, the two main electricity generators in England and Wales, to back off.

In the City, however, its reputation took another knock for a further example of policy-making on the hoof.

The Department of Trade and Industry, which has bureaucratic oversight for the UK's electricity industry, did not threaten potential bidders for the generators with a referral to the Monopolies and Mergers Commission.

This is the usual way in which it seeks to forestall, or stop his it disapproves of. But perhaps a referral was not a credible option, following the decision 10 days ago by Mr Ian Lang, trade secretary, not to accept MMC advice on National Power's agreed bid for Southern Electric and PowerGen's agreed bid for Midlands Electric.

Instead, it invoked its rights as a "special" shareholder in the two electricity generators. These "golden shares" allow the government to block any change in ownership.

There are two types of golden share. The first is with-

out time limit and applies to companies where a takeover would be unwelcome on the grounds of "national security". Fifteen of the 17 golden shares are unlimited and six apply to the electricity industry.

The second category of golden share remains in force for a defined time. It is deemed necessary to allow management time to adjust to life in the private sector, free from the worries of a hostile takeover bid. The provisions may be varied. The government allowed British Petroleum to acquire Britoil in 1990, although a non-time limited special share was in force.

BP is, of course, a British company, and the DTI's statement this week about the provisions of its National Power and PowerGen special shares - that no one could own more than 15 per cent of either without approval - appeared aimed at foreigners. Southern Company, of the US, last week signalled its interest in acquiring National Power and said it had \$28n to fund an acquisition.

This new found economic

nationalism has dismayed electricity industry analysts. They charge that it contradicts previous policy.

Mr Nick Pink, of SBC Warburg, points out it was the government that last year tried to

contradictory. Golden shares are retained in respect of Northern Ireland Electricity, Scottish Hydro Electricity, Scottish Power, National Grid Company, as well as National Power and PowerGen.

But the government is already facing problems. This week Hanson, the Anglo-American conglomerate, sold its 12.5 per cent interest in the National Grid, which operates the high voltage transmission system and the wholesale market where electricity is traded, to HSBG James Capel. The stockbroker subsequently hedged the stake through a derivatives contract with the Olayan Group, a Saudi-controlled investment company.

Moreover, as Mr Pink points out, the DTI's claim that it wants more competition in generation might receive an uncomfortable test in the near future if a foreigner decides to test the policy. "It has rested its policy on competition and said there is not enough," he said. "It risks being severely embarrassed."

The new policy appears, however, to be designed to achieve more competition, while at the same time seeking to ring-fence the main generators from the attentions of foreigners. These aims may be

SUN ALLIANCE/ROYAL INSURANCE MERGER

Rivals fearful of further industry consolidation

By John Gapper, Banking Editor

A consolidation of the composite insurance industry has been expected for some time, but the proposed Royal Insurance-Sun Alliance merger nonetheless put the two companies' rivals on the defensive yesterday.

By changing the pecking order of the industry, the merger would further weaken the position of companies that

are seen as vulnerable, attracting more interest from outside the UK in what remains a fragmented industry.

The focus was immediately on Guardian Royal Exchange, which is regarded as vulnerable because it has the smallest life operation of the five large composites, and has lost ground because of the merger.

Mr Brian Shea, an analyst at Salomon Brothers, said a merger would "change the whole equation for a lot of peo-

ple," and could lead to further consolidation. He said that cost savings would give the merged group an advantage.

The consolidation of composite insurance would match a process that has been underway in other financial services sectors, including banking and investment banking, which are also afflicted by over-capacity.

The fit between Royal and Sun Alliance could prompt others to seek mergers that match one company's weaknesses

with another's strengths. Analysts said one of the attractions of the deal was the way in which each complemented the other.

One possible match could be General Accident and Guardian. General Accident is not as strong in Europe as Guardian, but is more powerful in the US. Guardian's weakness in the UK is also matched by strength on the part of General Accident.

Other analysts questioned

the viability of Norwich Union's plans to float in its current form. Mr Steven Bird of Merrill Lynch suggested Norwich would be "surrounded by predators" if it proceeded with a flotation as it was now.

However, Mr Bird said he did not see the competitive forces in the industry slackening due to the merger. "I don't think that average prices will be higher in 12 months' time. It is simply not big enough for that."

The merger could ease the competition for smaller mutual life companies, which the larger companies have been in the process of buying to increase their scale.

Sun Alliance was one of the keenest predators of smaller firms.

However, Mr Shea said there would still be about 10 large companies seeking to absorb small ones, so competition for them had not lessened significantly.

Little threat to cheaper premiums

By Roger Taylor and George Graham

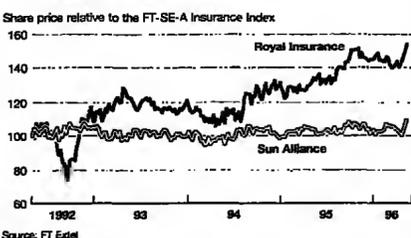
The merger announced yesterday by Royal Insurance and Sun Alliance may be the start of a wider consolidation in the insurance industry, but it is not expected to stop consumers from continuing to enjoy cheaper premiums.

"We do not think that this will put a floor under insurance premiums. There are still a very large number of new direct writing operations and well established traditional composite insurers who are battling for market share," said Mr Mark Wood, managing director of AA Insurance.

Motor and household insurance premiums have fallen over recent years as low cost insurers selling over the telephone, such as Direct Line, have eaten into the market.

AA Insurance's surveys show that motor premiums have started to flatten out, but

How they compare



are still 5 per cent lower than a year ago. Household insurance is still coming down in price, with rates for buildings insurance down 9 per cent over the last year. Although several insurers have talked of raising prices, few have yet done so.

Customers of Royal and Sun Alliance will notice very little change following the merger of the two companies. Both will continue trading under their own names as separate parts of the joint company Royal Sun Alliance. There are no plans to alter the products and services offered by either company.

Mr Roy Randall, head of group corporate relations at Royal, said: "It will be business as usual. Customers will con-

tinued to deal with Royal or with Sun Alliance."

People with car, house and other general insurance policies with either company will notice no change when their policies come up for renewal. The intention is to keep the branding and terms of such policies unchanged.

The two life businesses will also be kept separate. There are no plans to merge the with-profits life funds or any of the other insurance funds and unit trusts. But the investment management divisions of each company will be brought together into one team once the merger is completed in August.

Unlike some mergers involving mutual insurers, there will be no bonus payment to policyholders. Any benefits to them will come in the form of lower premiums or enhanced returns on investments as a result of the cost savings from the merger - targeted at £170m a year by 1998.

Contrasting backgrounds at the top

The two men who will head Royal Sun Alliance could scarcely be more different in background or outlook, writes George Graham.

Mr Roger Taylor, who is 54 and will become executive deputy chairman, is a lifelong insurer who joined Sun Alliance at the age of 17. He has worked for the company ever since - except for a five-year secondment to Hong Kong to set up a joint venture with Jardine Matheson - and took over as chief executive in 1994.

Mr Richard Gamble, who will become group chief executive, only joined Royal Insurance in 1988.

In his 30s he had an early involvement in insurance as a director of two Lloyd's brokerages. His expertise, however, was in finance, and he spent most of his career in this role with companies such as Northern Telecom, McDonnell Douglas and British Airways.

Company officials said Mr Taylor, as deputy executive chairman and chairman of the management board, would be responsible for strategy, while the 66-year-old Mr Gamble would take charge of the group's day-to-day management.

In contrast to the quiet and

restrained Mr Taylor, Mr Gamble is described as "quite a jolly character". Despite this, Mr Gamble does not shrink from tough measures. The reputation he has won at Royal has come from imposing tight financial reporting systems and much stricter standards for underwriting new business.

"It is basically Gamble that has to do the hatchet job," said one insurance analyst.

The new board will be chaired by Sun's Sir Christopher Benson, with Royal's Mr Allan Gormly as non-executive vice-chairman. But both boards agreed that the merged com-

pany should seek a new non-executive chairman from outside the group as soon as possible.

Only two other executives will join Mr Taylor and Mr Gamble on the merged board.

Mr Arthur Hayes - like Mr Taylor - is a lifelong Sun Alliance employee who started in the group's investment department in 1962. He will become group executive director in charge of asset management.

Mr Paul Spencer - like Mr Gamble - is a finance specialist and recent recruit to Royal. A former Hanson treasurer, he will be group director for finance and integration.

Employees greet merger with 'stunned relief'

By Jane Martinson

There was a distinct air of "better the devil you know" among insurance workers after yesterday's merger was announced.

After years of reorganisation and weeks of intense takeover speculation, resignation was as evident as worry.

Mr Ken McAleer, general secretary of Sun Alliance's staff union which has some 5,000 members, said: "People are both stunned and pleased. It that sounds strange it is because... there are worse predators in the world. There's a sort of relief in that it's another traditional insurance company."

Employees at the two groups shared a similar age profile, he said, with a "good spread" of the over-50s. The "worse predators" included non-financial or foreign groups.

Mr Alan Piper, assistant general secretary at finance union Bifa, which represents 800 Sun Alliance workers, was much less sanguine. He said months of uncertainty would dent morale badly. "We don't even know which centres are going to close," he said. "All they've looked after is the bloody shareholders."

"Staff will pay the price as the merged company cut costs and goes far greater profits."

Mr Michael Meacher, Labour spokesman for employment, said the staff had been "treated like chattels".

Employees leaving the Sun Alliance's City headquarters yesterday, however, revealed a feeling of inevitability. One human resources manager said: "We knew that this was coming. In time I think it will be seen as a positive thing because it puts us in a good position with the industry."

Mr McAleer reckoned that recent restructuring had seen staff numbers cut by 2,000. Part of that process had involved the outsourcing of many non-insurance services. In July the post-room management will be contracted out.

Mr Edward Kearns, a 59-year-old post-room employee, worked for Phoenix when it merged with the group 12 years ago and is now considering early retirement. "This place is always changing," he said.

Mr McAleer was philosophical. "From where I sit I think there might be a period of peace and calm. But who knows? In this industry everything is still up in the air."

NEWS DIGEST

Rugby and Costain warnings

Shares of UK construction and building materials companies fell sharply yesterday following a series of profit warnings from companies in both sectors.

Shares in Costain, the construction and mining group, fell by 10p to 89p after the company said that losses in 1995 were likely to be greater than current brokers' forecasts.

The share price of Rugby Group, Britain's third largest cement manufacturer, also dipped by 3p to 129p following a warning by the company that pre-tax profit in the first six months of this year would be "well down" on the corresponding period last year because of severe weather in Europe and the US.

Shares in Camas, the quarry group, fell by 3p to 87p after it said demand in the UK and US had been weak in the first quarter this year.

Adscene shares tumble 32p

Shares in Adscene slipped 32p to 263p yesterday after the Canterbury-based publisher said pre-tax profits for the year to July 31 would not meet market expectations.

It said that although they would be ahead of last year's £4.6m profits for 1995-96 would not meet current expectations of £3.8m. Mr David O'Brien, analyst at Beeson Gregory, the house broker, has downgraded his forecast to 25m.

The company said slower than expected economic growth and consumer sales, the disruptive effect of snow in the Midlands and a newspaper price rise, had combined to make January and February particularly difficult.

Geest pulls out of Necta

Geest is selling the Necta prepared pineapple business to Pacific Asia Technologies, its partner in developing the Necta technology, for up to \$6.7m (\$4.3m).

The company said it was a perfect solution to solve a problem which led Geest to make an exceptional charge of £3.6m in last year's accounts. It is not thought any further charges will be needed.

Geest, the fresh foods company, will receive \$1.45m cash, a convertible debenture worth \$2.25m and a deferred sales related payment of up to \$3m. The company said the cash consideration covered the £1m net asset value of Necta and was treating the balance as a bonus if and when it received any further amounts.

It added that the Necta factory in Costa Rica had not been working to capacity as it had been built on the basis of test marketing in Scotland. However sales in the rest of the UK had not met expectations.

The solution would have been to sell into the US but Geest was wanting to concentrate on Europe. Pacific Asia, based in Vancouver, was better placed to expand sales. Geest retains distribution rights for Europe.

The debenture is part of a placing of \$12.3m by Pacific Asia.

CA Coutts placing on Aim

Mr Norman Essex, 74, chairman of CA Coutts Holdings, a producer of in-store displays and point-of-sale material, is set to make £945,000 when his company joins the Alternative Investment Market via a placing of 3m ordinary shares at 105p each.

The placing, sponsored by Beeson Gregory, will raise £3.17m gross, with £1.275m going to the company. Mr Essex will be selling about 900,000 of his holding of 3.08m shares. Trading is expected to start next Thursday.

Royal Bank sale raises £19m

Royal Bank of Scotland has sold its remaining 9.9 per cent stake in Charterhouse to Charterhouse European Holding for £19m in cash.

Charterhouse Holding is a joint venture company equally owned by Credit Commercial de France and BHF-Bank.

The deal was carried out in accordance with the provisions of a put option granted to Royal Bank at the time of the sale of its 90.1 per cent stake in Charterhouse in 1993.

Wassall in £11.5m disposals

Wassall has completed the £11.5m cash disposal of four companies from its industrial and commercial division to Omnipack, a company whose finance has been arranged by ECI Ventures.

The consideration includes the sale of three group properties occupied by the companies - MCG Rossitec, Gilchrist Brothers, MCG Graphics and MCG Containers & Closures.

For 1995, their total operating profits were £1.8m and at the year-end net assets were £4.5m including the properties. The proceeds will be used to reduce borrowings.

Nestor-BNA to sell division

Nestor-BNA is selling its specialist personnel companies to their managements for £7.9m.

The disposal of Hewitson-Walker and Scott-Grant is in line with the strategy of focusing on fewer business areas, particularly financial and management resources.

Hewitson-Walker is being sold for £8m cash to a new company owned by management and 3i Group. Scott-Grant's management is paying £300,000 on completion with the balance of £1.9m satisfied by the issue of a secured loan note.

The group said that after the disposals, borrowings of £4.7m would turn to a cash surplus of £1.8m.

National Home Loans buy

National Home Loans, the centralised mortgage lender, has acquired RCR Contract Hire and Leasing, the Coventry-based vehicle contract hire and leasing company, for £7.5m cash from NHL's own resources.

In 1995, RCR made pre-tax profits of £1.5m on turnover of £7.7m and at December 31 had net assets of £827,000.

Inchcape Swiss retrenchment

Inchcape, the international distribution group, is pulling out of motor activities in Switzerland by selling its Daihatsu franchise to Zurich-based Emil Frey for up to SF7m (£3.8m), including a goodwill element.

The group will close its Swiss import centre in the second half of this year. Its Daewoo import and distribution business will be replaced by a wholly owned subsidiary of the South Korean manufacturer.

Inchcape retains insurance operations in the country.

CIS turns in 10% surplus rise

Higher investment income helped the Co-operative Insurance Society to a 10 per cent rise in its surplus last year, despite falling sales of life assurance and pension policies.

Sales of both regular and single premium policies fell 9 per cent to £101.8m and £88.7m respectively.

Premium income also slipped across the range of CIS' non-life business, by 15 per cent to £450m.

Mr David Wise, chairman, told the annual meeting that sales figures had been depressed by the amount of time sales staff had spent both on the society's reorganisation and on studying to meet the training and competence standards set by financial regulators.

CIS also announced that Mr David Hollas, one of its three deputy chief general managers, will succeed Mr Alan Sneddon as chief general manager in March next year.

RESULTS

Company	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Dividend (p)	Date of payment	Total for year	Total last year
Middlesex Holdings	11.0	0.7	0.07	0.05	July 5	0.07	0.05

Dividends shown net. Figures in brackets are for corresponding period. 10p increased capital.

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150

Politics - Robert Peston

Brave face on disaster

Tories did badly in the UK local elections, but not as badly as they feared

In the aftermath of Thursday's tidal wave of public opinion which obliterated the Tory powerbase in UK local government, the prime minister yesterday claimed he had spotted a safe harbour ahead. "We lost many good Conservative councillors who have served their communities well," Mr John Major acknowledged. But he would "win the next general election".

hundred more councillors than the Tories. There was perhaps a crumb of comfort for the Tories in that they did not lose control of any town halls - although their ability to run Runnymede council in traditionally Tory Surrey now depends on the casting vote of the mayor. But it was pretty cold comfort, since after the previous year's rout, there are only 14 local authorities coloured blue on the electoral map. Most of the UK is now a bright shade of red, interspersed with patches of Liberal Democrat orange in the south-west and the north of England.

ministers accept that their government has been something of a shambles over the past few weeks. Tory MPs have continued to squabble in public over policy on Europe - and have been voluble in their criticisms of ministers' handling of the beef crisis. Inevitably, there has been much talk among the more excitable elements in the party that this was the last and best moment to unseat Mr Major. He was therefore aware that he might have lost his Downing Street tenure if the local results had been utterly calamitous.

Harlow, Gloucester, Eastbourne, St Alban's, Welwyn Hatfield, among others. These successes will underpin the general election campaign, since local councillors can provide invaluable support to sitting MPs' candidates. The Tories are therefore at a significant disadvantage. Local government strength is also one of the best indicators of the fundamental health of a party, since councillors often graduate into MPs. "It is a big long-term problem if you have no councillors," a minister conceded. "Apart from anything else, anyone involved in local decisions has a far greater understanding of the day-to-day dilemmas faced by a government and helps to spread that understanding."



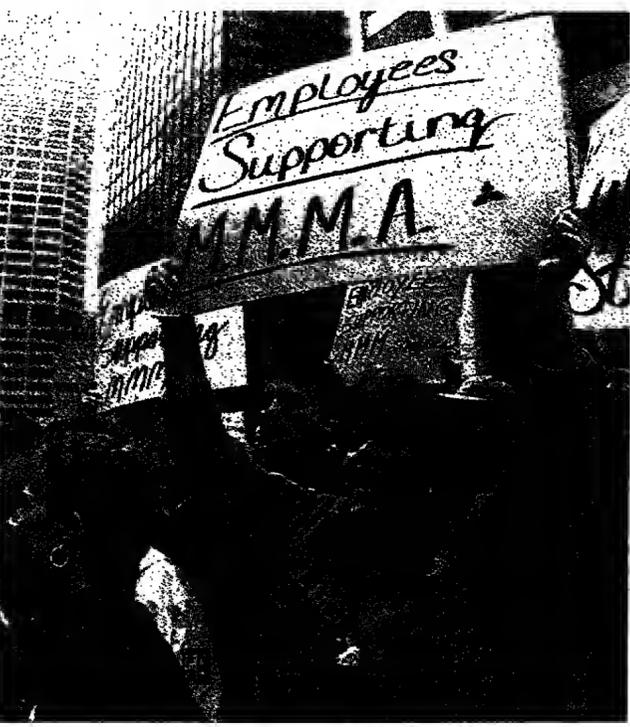
Philip Stephens A party holding office but no longer in power

The UK local elections were a sideshow, just another small signpost on the road to the fracturing of the most successful coalition in British politics. This has been the Conservative century. The party has been in government for 95 of its 96 years. But as the millennium approaches, Conservative stands precariously at the edge of the precipice. It matters that the party has now been all but extinguished in "local government", that Tories and cities such as Oxford, Slough, Stevenage or Manchester can no longer boast a single Tory councillor. But the elimination of Conservatism from the town halls is just reward for the government's wanton destruction of local democracy.

The Normal response to harassment

The small town at the heart of ugly allegations is an unlikely place to have spawned a culture of sexual aggression, says Tony Jackson

These are strange times in Normal, Illinois. Until three weeks ago most Americans knew this small prairie town only for the quaintness of its name. It has now been thrust into the limelight by America's biggest suit for sexual harassment since the term was invented. In the dock is Mitsubishi Motor Manufacturing of America (MMMA), the US subsidiary of the Japanese carmaker. Its Normal plant employs almost 800 women, half of them on the production line. According to a suit brought by the Equal Employment Opportunity Commission, the Federal watchdog, several hundred of those women have been systematically harassed by their male co-workers for the past six years.



Teamwork: workers were bussed to Chicago to back the company, which closed the plant for a day

It seems an unlikely place to have spawned a culture of sexual aggression. And this, it turns out, is precisely the issue. The equality commission has brought what is technically known as a "pattern and practice" suit, meaning that harassment was tolerated as standard practice at the plant. Mitsubishi concedes that harassment occurred. It denies vehemently that it was pervasive or condoned by management: that it was, in a word, normal. According to Mr Gary Schultz, MMMA's vice-president and general counsel, there have been 89 instances of harassment in the plant's eight-year history, and 10 men have been fired as a result. It seems a high figure, but Mr Schultz will not be drawn. "One case is too many," he says. "We have dealt with cases individually and quickly. We dispute that it's running rampant. This is a comfortable workforce."

tees and produced their own solutions, including the Chicago demonstration. Granted, MMMA paid for the buses and the day off. "The other option," Mr Schultz says, "would have been to tell our employees 'no, we're not going to listen to you or accept your support, or allow you to defend yourselves'." But what is MMMA doing about the admitted abuses? The sex parties, for instance, or the note found in the woman's locker? The parties may have been regrettable, Mr Schultz says, but they were unrelated to the work of the plant and therefore not MMMA's business. Bringing the photographs into the plant was not a harassment issue, but a violation of company policy on prohibited material. Seven men have been put on a final warning as a result. As for the note in the locker, that is being investigated. If it proves to be a case of retaliation, existing policy lays down that the culprit will be fired. Meanwhile, Mr Schultz says, the company is actively pursuing a programme to make it a model for American industry on controlling sexual harassment. It will call in third parties to review its existing practices. It will seek to learn from companies which have done the best and worst jobs on harassment in the past. But it will not settle with the EEOC. This is not a contest, Mr Schultz says. The company's management and the commission share the goal of stamping out harassment. Nor is it a conflict with the Japanese head office. "Tokyo is being informed, but it's not giving directions or driving this matter."

Michael Skapinker on problems ahead with deregulation of the aviation market in Europe

An airline faces the fax

Shortly before it began services from London to Amsterdam's Schiphol airport, EasyJet, a new low-cost carrier, received a fax suggesting it fly somewhere else instead. The fax did not come from a rival airline anxious to avoid competition on the London-Amsterdam route. Nor did it come from another city hoping EasyJet would provide it with a new service. The request to call off the new route came from Schiphol airport. The fax said: "I strongly advise you to reconsider your current plan and maybe look into more profitable European destinations. We would not like to see one of Europe's pioneering low-fare carriers go under because of a highly competitive and unprofitable Amsterdam operation."



at £35 one-way. EasyJet already runs services to Scotland from its base at Luton airport, near London. It will begin flying from Luton to Nice and Barcelona in June. Mr Hajj-Ioannou argues Europe is ready for low-cost regional operators like these that have succeeded in the US. He has modelled his operation on ValuJet, the US no-frills operation. Travellers on EasyJet do not receive any food or drink, although they can buy a limited range of snacks. Mr Richard Branson, founder of Virgin Atlantic, the long-haul airline, this week acquired 90 per cent of Euro Belgian Airlines, a Brussels-based cur-

enormous amount of money to succeed. Mr Dognanis took leave of absence from Cranfield to run Olympic Airways, a 14-month experience which was cut short in March when he was dismissed by the Greek government. He says to compete with established airlines on busy routes, new entrants need to operate several flights a day. This means they need take-off and landing slots at both ends. Many European airports, however, have a shortage of slots. New airlines have a better chance of succeeding on smaller, less travelled routes. He says: "My feeling is that there will be few new entrants and they won't succeed in the long term." While hopeful European airline executives look to ValuJet and Southwest for inspiration, Mr Dognanis says they should not forget how many airlines, such as People Express, have failed since US airline deregulation in 1978. He says: "The experience of the US is that very few entrants survive the first 10 years of deregulation. Very few that exist now were there 10 years ago." Sir Michael Bishop warns, however, against getting too depressed about the prospects for competitive European air travel. Airline executives are focusing on scheduled services and the effect of next year's deregulation. Europe already has something the US does not, he says: a highly-competitive charter airline market which has already achieved what many EU independent airlines may fail to do.

CURRENCIES AND MONEY

MARKETS REPORT

Dollar stable

By Graham Bowley

Calm returned to the foreign exchanges yesterday after weaker than expected US jobs figures eased expectations of higher US interest rates.

The dollar has fallen sharply in the previous session after strong GDP data hit US bond and share markets.

But yesterday's figures appeared to contradict the earlier data. The data suggested that the US Federal Reserve might delay any move upwards in interest rates to head off possible future inflation.

The dollar remained stable against the yen but traded slightly lower against the D-Mark. Analysts said it was undermined by the signs of weaker than expected growth and a pick-up in inflation threatened by higher average earnings numbers.

The pound performed well in the wake of the better than expected performance by the ruling Conservative government in UK local elections.

The government suffered heavy losses but they were not as severe as the markets had anticipated. Sterling had come under pressure earlier in the week on fears that a disastrous performance by the government might force the resignation of Mr John Major, prime minister.

The dollar finished in London at Y104.725, from Y104.675 at the previous close. Against the D-Mark, it finished at DM1.5273, from DM1.5328.

The D-Mark ended broadly unchanged against most other European currencies after gaining up earlier gains. It closed up against the yen at Y85.54 from Y85.28.

sterling finished against the D-Mark at DM2.2948 from DM2.2962. Against the dollar, it closed at \$1.5025 from \$1.4994.

Yesterday's US payrolls data restored calm to currency markets after Thursday's strong growth figures pulled the dollar lower.

But it appeared to cause great confusion among currency analysts who sought to make sense of conflicting messages about the speed at which the US economy is now growing. The GDP data indicated

the economy grew at an annual rate of 2.8 per cent in the first quarter of the year, but the non-farm payroll figures showed employment rising by only 2,000 last month after large increases in previous months.

Government bond markets also reacted in a confused manner, rising strongly before giving up most of their gains later in the session.

Attention on the foreign exchanges this week is likely to revolve around German unemployment figures, due on Monday. According to Mr Mark Cliffe, economist at HSBC Markets in London, the main market focus over coming weeks will continue to be the extent to which the D-Mark may weaken, given the different growth and interest rate outlooks in Germany and Japan.

The D-Mark and the dollar both came under pressure against the yen earlier this week on speculation that signs of stronger growth in Japan might trigger a rise in interest rates sooner. Meanwhile the

D-Mark has been troubled by signs of poor economic growth in Germany.

But following stronger than expected industrial production figures, some analysts think the unemployment data might signal more robust German growth.

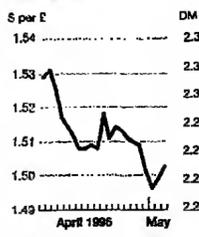
Mr Steve Barrow, economist at Chase in London, said a large fall in unemployment would indicate that the Bundesbank might act in such a hurry to cut interest rates as the market had anticipated, thus underpinning the D-Mark.

Dollar



Source: FT Data

Sterling



Source: FT Data

D-Mark



Source: FT Data

May 3 POUND IN NEW YORK

Table with 2 columns: Bid/offer spread, Day's Mid, One month, Three months, One year, Bank of Eng. Index.

May 3 CLOSING MID-POINT

Table with 10 columns: Country, Closing mid-point, Change on day, Bid/offer spread, Day's Mid, One month, Three months, One year, Bank of Eng. Index.

1 Rates for May 2. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Spreads shown, calculated by the Bank of England, based average 1990 = 100. Index includes 12/25, Bid, Offer and Midpoint. Bid and Offer rates are based on the Bank of England's Bid and Offer rates. Spreads shown are based on the Bank of England's Bid and Offer rates.

STERLING FINISHED AGAINST THE D-MARK AT DM2.2948 FROM DM2.2962.

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DOLLAR SPOT/FORWARD RATES

Table with 10 columns: Country, Closing mid-point, Change on day, Bid/offer spread, Day's Mid, One month, Three months, One year, J.P. Morgan Index.

EXCHANGE CROSS RATES

Table with 10 columns: Country, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer.

Danish Krone, French Franc, Norwegian Krone, and Swedish Kroner per 100: Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

EURO AREA CURRENCY UNIT RATES

Table with 10 columns: Country, Rate against Euro, Change on day, % of from, % spread, Div. ind.

Percentage changes are for Euro a positive change denotes a weak currency. Divergence shows the rate between two areas: the percentage difference between the actual market and Euro central rates for a currency, and the percentage difference between the actual market and Euro central rates for the Euro central rate.

NON-ERM MEMBERS

Table with 10 columns: Country, Rate against Euro, Change on day, % of from, % spread, Div. ind.

Percentage changes are for Euro a positive change denotes a weak currency. Divergence shows the rate between two areas: the percentage difference between the actual market and Euro central rates for a currency, and the percentage difference between the actual market and Euro central rates for the Euro central rate.

BASE LENDING RATES

Table with 10 columns: Bank, Rate, Change on day, % of from, % spread, Div. ind.

Previous day's rate, Call 12/25, Puts 12/25, Puts 12/25.

FT GUIDE TO WORLD CURRENCIES

Table with 10 columns: Country, Rate, Change on day, % of from, % spread, Div. ind.

The FT Guide to World Currencies is available by dialling the following number from the United Kingdom or from other countries.

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THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

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AUTHORISED UNIT TRUSTS

Main table containing unit trust prices, organized by fund manager and fund name. Includes columns for fund name, unit price, and other financial metrics.

Guide to pricing of Authorised Unit Trusts

INITIAL CHARGE: Charge made by a unit trust manager... HISTORIC PRICING: The letter H denotes that the unit trust has been historically priced... BUYING PRICE: Also called bid price... TREATMENT OF MANAGERS' FEES: The letter C denotes that the unit trust has been historically priced... SCHEME PARTICULARS AND REPORTS: The most recent report and accounts... EXT CHARGES: The letter E denotes that an extra charge may be made when you sell your units...

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For full details please contact Nick Aldrich, FT Business Research Centre, Financial Times, Number One, Southwark Bridge, London SE1 9HL, U.K. Tel: +44 (0)171 873 4102 Fax: +44 (0)171 873 3069



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Main table containing various fund categories: Overseas Unit Managers, Diversified Fund Management, Scottish Widows, Thyne Unit Trust, Morgan Grenfell, Bank Hove Life Assurance, Commercial Unit Group, Sun Life & Pensions, etc. Each entry includes fund name, manager, and performance metrics.

INSURANCES

Table listing insurance companies and their products, including Sun Life & Pensions, Commercial Unit Group, and various life assurance policies.

OTHER UK UNIT TRUSTS

Table listing other UK unit trusts such as Abbey National Life, Abbey National Life Plus, and various equity and income funds.

PROPERTY UNIT TRUSTS

Table listing property unit trusts including various real estate investment funds.

Handwritten note: 'see also 125A'

Weekend FT



A primitive form of warfare

Yes, rugby union players do sometimes punch each other. But who cares? No one really minds provided that no one gets hurt.

It has always been a tough game, but now that it has gone professional the big punch-ups are taking place off the pitch. Now it is all about money: millions and millions.

The top clubs in England and Wales are fighting their unions which set their rules. And the unions are fighting each other; Wales, Scotland and Ireland are objecting to England's grip for a larger share of television income from the European Five Nations championship.

This is rugby's modern world - an era inaugurated on August 26 1995. On that day, the International Rugby Football Board dropped its ban on professionalism. It was a doctrinal shift comparable with that of the Roman Catholic Church in the 1960s when it dropped Latin.

The board's decision marked the final break with the gentlemanly roots of the game a century and a half ago. An inscription set in the old brick wall by the Close - Rugby School's main playing field - declares

And that's not just among the players. Rugby union's governing bodies, the clubs and the broadcasters are having to come to terms with the sport's change of status from amateur to professional. **Huw Richards** explains why all the problems seem to centre on money

that it started in 1823, when William Webb Ellis, "with a fine disregard for the rules of football", first picked up the ball and ran with it.

It is a romantic story but almost certainly false. This plaque was erected half a century later, after Webb Ellis's death. It is more likely a memorial to the first great battle over professionalism - between those who had codified the original Rugby Union rules and the competing claims of rugby league.

Old Rugbians first developed the game at Cambridge university in the 1830s and 1840s. So when, in 1895, the league game broke away, the union faction created the plaque to establish the historical authenticity of its claims.

As old Rugbians fanned out to administer the British empire, they took the game and its amateur tradition with them, particularly to white South Africa and New Zealand. In most of England, Ireland and Scotland, it remained the game of the upper and middle classes. However, in south Wales it became a more univer-

sally sport. South-west France is the most significant non-empire stronghold, while in the US the game mutated into American Football.

The amateur tradition gave rugby union a special appeal: the game for the game's sake. It may sometimes look like a primitive form of warfare but the visceral appeal of brute force, courage and strength conceals subtlety, complexity and deft handling. At its worst it can be a mud-spattered battle of attrition such as this season's clash between Scotland and England. But at its best, as played by New Zealand in the last World Cup and Neath or Sale in domestic competition, it is a game of pace, movement and creativity.

In Wales, Gwyn Thomas, the writer, once said rugby is more important than sensuality, rebellion and religious revivalism because it "is a distillation of the lot".

Rugby union took its decisive turn in the late 19th century; it resisted the pressures of professionalism as sports drew rising crowds and brought in players from

diverse social backgrounds. Soccer, faced with blatant rule-breaking over amateur status by its top clubs, surrendered in 1885. But when the leading north of England rugby clubs asked to compensate their players - many of them industrial workers - for lost income, the Rugby Union refused. The dissident clubs broke away to form what eventually became professional rugby league.

Union remained self-consciously amateur, its gentlemanly character defined by Michael Lord, a Conservative MP, a fierce critic of the move to professionalism, as: "Sport is not work. It is what you do when you finish work."

Union's clubs were controlled by members, who elected volunteer officials. Players were members, not employees. They elected their own captains, and were at liberty to miss matches or even change clubs as they wished.

Most matches were friendlies - the national cup competitions, the finals of which are played today at Twickenham and Cardiff, date back only to the early 1970s and leagues to

the 1980s. While national teams played every year in the European Five Nations championship, no trophy was awarded until 1994.

But that comfortable, unchanging world came under serious pressure from the 1960s on. Television gave international rugby serious popular appeal. Sponsors started to move in. Greater commitment was demanded of leading players and the introduction of leagues led to competition for top players and widespread allegations of payments. The Inland Revenue has been suspicious of players' real sources of income for some time.

The decisive blow to amateurism was the World Cup, first played in 1987. New Zealand, Australia and South Africa - the three winners so far - have been increasingly impatient of the regulations on amateurism and on the eve of the 1995 final concluded a \$530m television deal with Rupert Murdoch, the media tycoon. Top British players, confronted with the *de facto* professionalism of the southern hemisphere, argued

that they needed the same freedoms to compete effectively.

Now they have it. For most of Britain's and Ireland's 450,000 players this will make no difference at all. For example, Keith Flincher, captain of Woodford, an Essex club playing in a regional league, is in the top 5 per cent. But he says: "Nothing at all has changed for us, or is likely to change. The players here pay a \$55 annual subscription, £5 per match and provide our own transport."

And anyone looking at the top level has to remember that professionalism is as much an attitude of mind as an economic status. Richard Moon, organiser of the Rugby Union Players' Association, says of his brother Rupert, who played for Wales: "The commitment top players had to give is such that your career inevitably came second."

But for the tiny minority of top clubs and players and those who aspire to such status - perhaps 40 or so clubs and a little more than 1,000 players in England and Wales - rugby union now resembles nothing

so much as post-Soviet Russia, having shifted almost overnight from the constrictions of a wholly regulated system to having few rules, galloping inflation and a desperately uncertain future.

The speed of change can be gauged from the autobiography, completed last summer, of Jeremy Guscott, the Bath and England player. In his book, Guscott looked forward to the time when England internationals might earn £3,000 to £4,000 for a season of six or seven games. Now he and his England colleagues are making that much for a game.

This is expensive for the Rugby Football Union, but hardly ruinous. England can fill the 78,000-seat Twickenham stadium for almost any match. This is a monument to the commercial acumen of the officials whom England's depart-

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PERSPECTIVES

The Nature of Things

Vaccines return to full health

After years of being out of sorts, they are now attracting interest and investment. Clive Cookson reports

The simplest, most daring and most far-reaching clinical test in the history of medicine took place in Gloucestershire 200 years ago.

In May 1796, Edward Jenner took cowpox from a milkmaid's hand and worked it into a small cut on the arm of eight-year-old James Phipps. A week later the boy developed the mild fever characteristic of cowpox. Then Jenner inoculated him with smallpox - and the deadly disease did not develop.

The principle of vaccination had been proved.

Over the past two centuries vaccines have probably had more impact than anything else, apart from clean water supplies, on reducing mortality from infectious diseases.

There have been several golden ages of vaccine development, for example between 1890 and 1910 when Louis Pasteur's successors developed the BCG tuberculosis vaccine, and in the 1950s when the

Salk and Sabin vaccines eliminated polio as a serious threat to public health.

During the 1960s, 1970s and 1980s vaccines were in the doldrums. The pharmaceutical industry sold cheap unpatented vaccines on low profit margins, and spent little on research and development.

But the field is now undergoing a spectacular renaissance. Worldwide vaccine sales were worth \$3bn last year, says Jean Stephenne who heads SmithKline Beecham Biologicals, the world's biggest vaccine business. They are projected to reach \$7bn within five years.

SmithKline Beecham - an

Anglo-American company whose vaccine operations are based in Belgium - set the sector alight with the world's first genetically engineered vaccine, for hepatitis B, launched in 1986.

Engerix B is produced by yeast that contains genes from the hepatitis virus. Its commercial success - sales reached \$400m in 1995 - showed that a vaccine could make as much money as a blockbuster drug.

Large pharmaceutical companies and small biotech companies are pouring money into vaccine R&D. More than 100 candidate vaccines are in various stages of clinical trials.

Traditional vaccines consist of whole bacteria or viruses that have been chemically killed or are weaker than the original disease-causing microbe.

By contrast, many of the new generation are genetically engineered "sub-unit" vaccines, like Engerix B, that contain just part of the microbe - one or more of the "antigens" that stimulate a response from the human immune system.

An obvious advantage of sub-unit vaccines is safety: they are far less likely to cause an adverse reaction or disease than whole microbes.

On the other hand, they do not

provoke such a strong immune response; so one of the most active areas of vaccine research today involves "adjuvants" - added chemicals that boost the response.

Researchers say their new vaccines promise many improvements over current products.

Most important, it will be possible to prevent a range of new diseases for which no vaccines are available today.

Two of the most challenging long-term targets - and perhaps the most important for world health - are HIV/AIDS and malaria; although there are several experimental vaccines against both, researchers face formidable

problems in developing vaccines that will be effective against the various strains of HIV or the malaria parasite.

For travellers, a welcome development will be vaccines against the strains of *E coli* and cholera bacteria that cause diarrhoea and dysentery.

And parents can look forward to vaccines to protect babies against bacteria such as *S pneumoniae*, *H influenzae* and *M catarrhalis* which frequently cause painful earaches in childhood.

As new vaccines are developed, researchers are discovering how to combine more of them in a single shot, so as to reduce the number of

injections needed. A six-fold combination is already in clinical trials for children: diphtheria, tetanus, whooping cough, hepatitis B, *H influenzae* type b, and polio. Some scientists talk of eventually combining a dozen or more vaccines but others think that the young immune system will not be able to cope with so many at the same time.

Oral vaccines are more pleasant and cheaper to administer than injections, so researchers are working on new formulations that can simply be taken by mouth. There are several long-term projects to add antigen genes to fruit and vegetables, which could then serve as edible vaccines.

Although vaccines traditionally protect against infection, a future role will be to strengthen the patient's immune system enough to clear an existing disease. Therapeutic vaccines of this sort are being developed not only to get rid of chronic infections such as herpes, hepatitis and HIV but also to treat cancer.

Theatre designer Paul Dart once covered 1 1/2 miles of pedestrianised streets in a London shopping area with black net hung with mirrored plastic strips to create the impression of it being under water.

The effect was dramatic enough - but not quite in the way Dart planned. High winds broke off pieces of the plastic, some of which blew up to three miles away before sticking firmly to the pavements.

Dart quickly modified the design by using more net to trap the materials and soothe the wrath of local street cleaners.

Innovative minds promising "an alternative face" to decoration can encounter other problems, too.

In one shopping centre, newly refurbished at a cost of several million pounds, the only electrical socket was at the top of a four-storey high dome above a fountain and the built-in supports for the decorations were in the wrong place to support the designs.

"That took some arranging," Dart remembers.

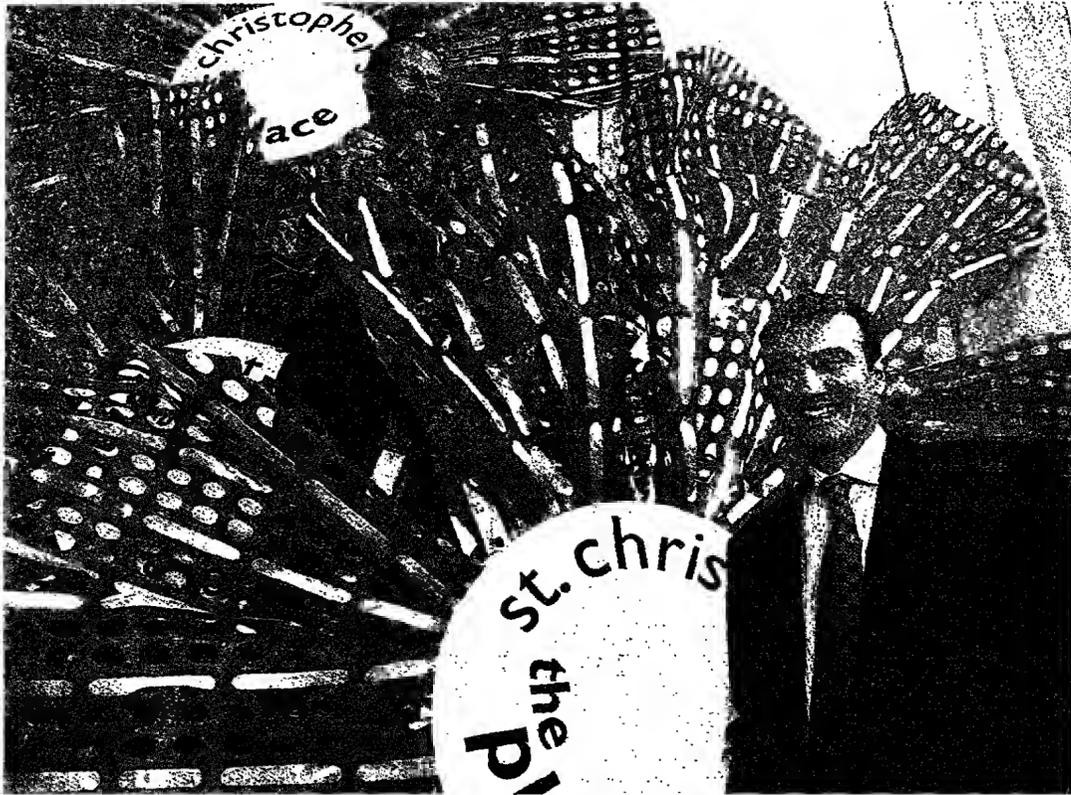
He is joint partner in James Glancy Designs, which took on its first commission in 1991 to decorate the pedestrianised shopping streets at St Christopher's Place, behind Oxford Street in London's West End.

While Dart, 42, provides the theatrical impetus for the company, his partner James Glancy provides the marketing and public relations expertise. So far, the two have concentrated on Christmas designs but they are now extending their business to create seasonal looks for shopping centres and streets. This month, for example, shoppers in St Christopher's Place will be walking under a canopy of huge daisies.

The two men met in 1989 when Dart was creating flamboyant and striking windows for Obsessions, his men's gift shop in Eurlis Court, west London. Glancy, 34, lived across the road and noticed them. He asked Dart whether he had thought of marketing his extraordinary designs. He told him he could use James Glancy Associates, Glancy's newly formed public relations company.

Two years on, the chance to pitch for the St Christopher's Place Christmas contract, worth £12,000, arose and Glancy incorporated a separate company James Glancy Design. The designs were paid for using their personal credit cards and calling on half a dozen friends, mainly with technical theatrical experience, to help.

Dart says: "We made everything in my front room - huge angels out of cane with gold tissue wings which flapped in the wind. Some people were mildly shocked because it was not the usual garlands and



Putting up the daisies: Paul Dart (left) and James Glancy

Fergan Wilder

Minding Your Own Business

Christmas all year round

James Glancy Designs would like more seasons in the year, says Grania Langdon-Down

faux-Victorian creations. When it came down to we went on with our other careers."

For Dart, that meant, among other things, theatrical work. He is currently head of design of the Method and Madness Theatre Company. Previous work has included the Diaghilev Exhibition at London's Barbican centre and sets for the National Theatre, London Contemporary Dance Company and Frankfurt Opera. He also designs sets and costumes for cruise liners.

In Glancy's case, his PR company has a turnover of about £100,000 a year. Clients include Evian mineral water.

For James Glancy Design, work is seasonal and so the business has to be able to expand quickly, particularly

before Christmas, when about 30 extra people are taken on. It then shrinks to a core of five or six staff for quiet periods.

To keep costs down, some of the design work is subcontracted to people working from home.

The creation of the decorations, such as 12ft high Beatrix Potter characters and giant fabric presents, is carried out in units under the railway arches in Battersea, rented from Railtrack.

Overheads run at about £5,600 a month, nearly double at peak times from June to November as they take on extra staff and storage space.

The overheads of the central London offices, which Glancy shares with his brother's sur-

veying business, are split equally between the design, PR and surveying companies.

The aim now is to push hard for more seasonal work - such as the spring designs at St Christopher's Place - and year-round tasks, such as refurbishing shopping centres. Budgets for designs and refurbishments range from £2,000 to £87,000. So far, the company has about 30 shopping centres on its books.

Dart said: "Look at what has happened to shopping centres. The designers have been told 'we must have daylight' so they include atriums sometimes up to four storeys high, creating churches of retailing."

"The centres are, in effect, replacing the village green but they can be very dull. My job is

to come along and revitalise that space. And if people do not take a sharp intake of breath when they see it and say 'what's that?', there is no point in doing it."

Last year, their fourth Christmas creation for St Christopher's Place won the London Evening Standard's best decoration award. They have now been given a contract for about £100,000 to decorate the shopping area until 1999.

They have just secured their first "seriously large" contract, worth £150,000, to decorate the Brent Cross shopping centre in north London for the next three Christmases.

The growth of the company is reflected in its turnover, which started at £12,000 with

the first Christmas commission. It went up to £61,000 by April 1993, £74,000 by April 1994 and to just under £200,000 last year. By April 1996, turnover reached £400,000. Profits have stayed roughly between 20 and 25 per cent of turnover. Their forecast for 1996/1997 is turnover of £500,000.

After starting the business during the recession, Glancy is waiting to see how it fares in more normal times: "It would be foolish to say the business was recession-proof but most people in the retail business feel that at least once a year they have to spend money on decorations."

James Glancy Design - 5th Floor, 1 Duchess Street, London W1N 3DE. Tel: 0171-637 8004; fax: 0171-637 8005.

Home Truths

Have bags, will travel

Clive Aslet on a question of status

This weekend I should have spent relaxing in the Lebanon, the Switzerland of the Middle East. Fate and the Israeli military having conspired against this jaunt, I shall probably occupy myself making good a deficiency of which the first stage of packing made me aware: namely presentable luggage.

I find one develops an attachment to one's suitcases. Just as I am sorry to say goodbye to an out-of-date passport, full of old visas and stamps, so I regret having to replace a battered valise, with ancient labels dangling from the handle. Merely to look at such a portmanteau is as good as a holiday. But there comes a time when even the oldest of friends have to part.

The question is: what sort of new luggage to buy? It depends, of course, where one is going. For the impressionable US, the rule is to dress up - at least if the destination is a metropolitan hotel.

I once arrived at a self-regarding San Francisco establishment with a suitcase that had seen better days. Its handle had been repaired with one in a different colour. I felt it gave it patina. The bell captain looked at it with contempt and said: "My wife was not there at the time; she would have restrained me. That suitcase caused me nothing but trouble. Its one apparent virtue was that it would be robust. What a joke. It may have looked like a tin can, but the surface tore like foil every time it went on a journey."

It always aroused suspicion at customs. In Helsinki, a formidable woman official selected it as the one suitcase to open, from a departing boatload of passengers, after catching it winking at her.

For luggage, canvas seems to me to be inviting trouble, being too easily marked. To my surprise, I recently observed that a dandified friend of mine, very much a style-setter, carries Globetrotters. Surprise, because I use one myself as a briefcase.

It is strong enough for heavy books, and indestructible. If some dreadful calamity were to destroy all life on this planet, I know that my Globetrotter would somehow survive, bobbing on the surface of the waters as an early witness to the late 20th century's obsession with travel.

But a Globetrotter suitcase might make me look like a wartime evacuee. Equally, I do not want a suitcase with wheels because that would make me feel like a granny. My ideal would be one that expands at will, to twice the size, since I invariably want to return home with more things than I set out.

Difficult, very difficult.

It confirms me in my secret belief that the greatest pleasure in life is staying at home.

Clive Aslet is editor of Country Life.

extraordinary capacity for recognising luggage. Think how many identical suitcases are sold by Marks and Spencer each year. Then add the number of cases by other manufacturers which look virtually the same. The total must be colossal. Yet at the arrivals carousel, instances of mistaken identity are, in my experience, unheard of.

My present suitcases are completely anonymous. I chose them in reaction to the shiny silver job I owned previously, bought on an afternoon that I unwisely spent shopping with friends.

It was a kind of dare, along the lines of: whoever would travel with their wife was not there at the time; she would have restrained me. That suitcase caused me nothing but trouble. Its one apparent virtue was that it would be robust. What a joke. It may have looked like a tin can, but the surface tore like foil every time it went on a journey.

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There is a wonderful imbalance about garden visiting. Visitors to the best gardens like to say and think that they wished they had such a garden themselves. Owners of the best gardens know very well that their visitors would not want such a garden if they had it. It would break their backs, pockets and free weekends.

How can we learn realistically from the gardens which we are all starting to revisit as the season warms up? Perhaps we should not worry about learning, the obsession of professional self-improvers. Nonetheless, we are all onlookers who want to think that our visiting is going to help us. I find that many of the best gardens break down into smaller corners and fragments which can be reinterpreted anywhere without involving impossible effort.

As usual, I have begun my visiting season at Sissinghurst in Kent, the hardest garden to

excel. A late spring has not done it any favours, but it still pulls off a magnificent trick which can encourage us to think again.

Its first, famous display is in the Spring Garden, between and around Lime Walk. It was the special preserve of the late Harold Nicholson, who called it his Life's Work and reminded us that Sissinghurst is not a feminine creation. His life's work was more fortunate than you or I expect ours to be. When his life ended, the work went on, financed by the National Trust and made even better and grander, like a piece of knitting which someone picks up and kindly finishes overnight.

Spring gardens which are tapestries and carpets remind me of the arrival of spring in the great Italian paintings of

the Renaissance. Angels and virgins tread on an embroidery of multi-coloured flowers, spangling the green foreground and making me long for the same effect in my garden.

Unlike Botticelli, I have dandelions, not columbines in my foreground of lawn. At Sissinghurst, even the Primavera is made to look rather constricted. Botticelli's great figures of spring and natural graces never stood on a turf of tulips, miniature jonquils, Spring Snowflakes or lovely Erythroniums because their painter never knew them. We all know them and look at them each year in the bulb catalogues, but we never use them with the same panache as the continuing ground-plan of Sissinghurst's Life's Work.

The secret is so simple that it could be applied in any small

front garden, even in London behind the privet and Forsythia. Most of us plant spring bulbs in segregated groups and confine ourselves to one or two varieties in particular areas of grass or flowerbeds. The Sissinghurst Primavera jumbles them all up together and extends them into little square beds beneath the trees and into the long borders below the boundary hedges. The result is a sensational patchwork of carefully chosen colours.

As I admired it in the sunshine, a strong scent of fox rose from the main borders. The scent was carrying particularly well because the fox-scented Crown Imperials were in full flower, mixed with the smaller tapestry of bulbs at ground level to which they give significant height. Notoriously, they do not flower every

year and are best when topped up with new stock each autumn. Even in nature, they flower in some years, and I have come to accept there is no easy cure for their shyness after one or two good seasons in the ground. Nonetheless, they add stature to the lower

planting.

The lower planting could easily be copied and carried in new directions. At Sissinghurst, it mixes white and purple fritillaries, blue grape hyacinths, white Spring Snowflakes, pale lemon narcissi, small scarlet tulips and lovely pale yellow and pale blue anemones. An easy and reliable narcissus would be the early Jack Snipe and a spectacular tulip would be my favourite little *praestans* Fusilier.

The anemones offer endless possibilities and it is worth spending money on the best named forms and exercising patience while they increase. The star of the Sissinghurst tapestry is the pale yellow *Aeneone x seemannii* which has emerged in artful gardens as one of the wonders of spring. It builds up into a good

group, but prefers cool soil and needs three years to be seen at its best. Among its neighbours, there is nothing better than the various types of dogs tooth Violet, especially the yellow-flowered *Erythronium molunense* which is easier to please and retain than you might think.

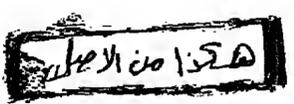
Each of these plants is lovely, but the particular loveliness of this great garden is that it jumbles them up together in small clumps and clusters, accentuating the impression of a patchwork. I have begun to realise that the best use of ordinary tulips is to choose three or four particularly pretty colours and then mix them all up into a selected jumble.

The jumble principle can be extended to spring bulbs of all types. Books and experts still

advise us to plant a group of this, than a separate group of that. Formal bedding behaves likewise, but there is even greater beauty in a jumble, especially in small spaces.

At Sissinghurst, the spring walk has been lengthened and developed since its first owner's death. Part of its effect is its long vista, but another part is its artful inter-mixture which can be reapplied on a smaller scale wherever you happen to garden. Some of it sits in little square beds beneath the tree-trunks of its formal alleys. We tend to forget that the bases of clipped or restrained trees are an ideal site for jumbles of spring bulbs. Even I had realised the scope some while ago and now enjoy the easy yellow *Narcissus tête-à-tête* among the brilliant blue *Scilla* Spring Beauty.

It takes a great garden to give us greater ideas which we can break off and reapply to our own smaller scale. We would not want Sissinghurst if we had to maintain it, but we can all want and adapt such marvellous sections in gardens as great as this one, seen at the right season.



PERSPECTIVES

A master forger and his pact with the devil

Robert Graham considers the life of Eric Hebborn, who faked Old Master paintings on a grand scale and made monkeys out of art 'experts'

Our old Eric Hebborn, the self-confessed art faker of the century. As his coffin was being slotted into the cemetery bank outside a village in the Abruzzi mountains, a Rome magistrate was saying his death was a case of homicide.

This was in January. Since then the magistrate has been noticeably silent. The affair seems to have reached that nebulous stage, familiar in so many Roman investigations, where a case once opened cannot be closed yet no one has the energy or the facts to take it forward.

The 61-year-old artist died from head injuries, but the murder theory looks flimsy. Hebborn was in poor health; he drank heavily and usually walked with a stick. Most probably he fell on slippery cobbles, and could even have been hit by a passing car or motorcycle as that part of Rome's Trastevere where he lived is hazardous for pedestrians.

There is a temptation to see poetic justice in such a sudden, and perhaps violent, death. After all, Hebborn over the years had boodwinked almost every expert in the small world of Old Master drawings. On his own admission he off-loaded at least 1,000 of his "new Old Masters" on to the market, which found their way into prestigious private collections and the best museums.

Hebborn was undoubtedly guilty of deception on a grand scale. Nevertheless, he was an extraordinarily accomplished artist and deserved an end less scold. No one before him has shown work in the manner of so many different artists spanning so many centuries. His new Old Masters went from Mantegna through to Augustus John, with a special penchant for the 17th century. He had studied the Old Masters' drawing techniques so carefully that he claimed to know the speed of individual hands; and he once told me Dürer was the only artist he could not imitate.

Now that he is dead the myth-making is likely to begin. Already Phillips has catalogued a drawing - "Eric Hebborn (1934-95) after Pontormo" (getting the date of death wrong in the process).

And his autobiography, *Drawn to Trouble: The Forging of an Artist*, has been reissued by Mainstream Publishing (£17.50). When first published in 1991, it seemed part of Hebborn's own myth-making process. The story, laced with mischievous humour, had the natural feel of a boozey after-dinner yarn. Though a selective and self-serving account, it threw a fascinating - and disturbing - light on the mysteries of the art-dealing/collecting business.

Why does such a talented artist divert his energies to produce new Old Masters? In Hebborn's case the answer starts with a miserable childhood in London: a cruel mother, removed to borstal aged eight and from then to foster homes until art school. Having had such an awful childhood, he was ready to embrace hedonism. His enormous facility for imitating Old Masters provided him almost immediately with the funds to enjoy himself: it was an easy pact with the Devil.

His liberating experience was being a scholar at the British School in Rome, just when the eternal city was embarked on the era of La Dolce Vita. The sensuality, the light, the sense of the antique and a passionate homosexual affair made Rome irresistible. After this, Hebborn had only a brief interval in London before returning to Rome and its environs which became his adopted home.

Although he regarded himself as a serious original artist and was particularly proud of his sculpture, his autobiography begins with a prologue recounting a tale of one Vincent Van Blank (sic) who is uncovered as having faked a Leonardo. Vincent then breaks down and confesses to a journalist: "Yes, I painted the Leonardo to avenge myself on the ignorant critics who failed to recognise my genius."

Much of what he subsequently recounts bears out the motivation of revenge. The Van Blank tale is also tantalising in the light of Hebborn's confession to a television crew that he completely "restored"

the famous Leonardo cartoon bought from the Royal Academy by the National Gallery in London. From the outset the commercial side of his activity loomed large. He dealt in prints and drawings under the name of Fannini Galleries, first in London and then Rome. The more he discovered he could pass off his "mischief", the more he became addicted to his chosen trade. He set himself high standards. His basic rules were: sell only to experts or those buying on expert advice; charge no higher price than one's own work unless the buyer established the price; never hurry experts into an opinion.

Unlike previous fakers, Hebborn understood the importance of attribution and the vanity of experts. He provided the clues, including faked inscriptions and forged collectors' marks; but he let the experts decide. He even left a "Corot" drawing with Colnaghi's for more than three weeks for their experts to study



Above: Eric Hebborn on his own admission he off-loaded at least 1,000 of his "new Old Masters" on to the art market. Above right: Anthony Blunt, the former KGB spy, painted by Hebborn. Below right: An example of Hebborn's own style, 'Head of Graham'



Above right: Anthony Blunt, the former KGB spy, painted by Hebborn. Below right: An example of Hebborn's own style, 'Head of Graham'

and accept. These procedures conveniently saved him from classification as an outright criminal. In artistic terms, Hebborn got away with this because he really knew the artists he was imitating. He challenged Bernard Berenson's view that a forger always betrayed certain contemporary mannerisms; and that he could never penetrate the artist's mind and world. He would study drawings exhaustively and then produce a "development". Thus, in one sense, his work was always original.

Indeed, he convinced himself there was no such thing as a fake, merely a fake label, that is a Corot instead of a Hebborn. The exhibition staged by the British Museum on fakes was entitled 'Fake? he observed. He further rationalised his activity by the knowledge that great painters whom he admired, such as Michelangelo, had also copied. Vasari says Michelangelo had even kept the originals and given away his copies.

Hebborn regarded creating "in the manner of" an intellectual and artistic challenge. One of his prized possessions was a Bassano fragment of "the animals entering the ark". To this fragment he added, after scrupulous study, what he imagined should have been the remainder of the canvas. The sole give-away was an impish monkey in a corner to remind the cognoscente of Hebborn's monkey-business. Since the experts earned their liv-

ing distinguishing the genuine from the fake, Hebborn believed he was entitled to pit his wits against theirs. The villains were not the experts, for whom he had a soft spot, but the dealers. For all his talent, his self-justification and generosity with friends, however, one cannot obscure the fact that he deliberately deceived people who trusted him. His friendship with Anthony Blunt, keeper of the Queen's pictures with whom he stayed when in London, lent him an aura of credibility.

In spite of being unmasked at the end of the 1970s, Hebborn continued his new Old Masters for another decade relying on unscrupulous middle-men. But his autobiography was for him an attempt, albeit boastful, at catharsis. He then sought belatedly to return to original work but he discovered that he had imitated others for so long that he had no firm style of his own. He was thus left with a return to the label of faker and produced last year *The Faker's Handbook* for an Italian publisher - an exercise as legitimate, he mused, as Pavarotti passing on the secrets of his trade to aspiring opera singers.

Yet whatever his nemesis, Hebborn cared deeply about art. No matter how many red faces he left among the experts, many of his falsifications were so intelligently conceived that they contribute to - rather than detract from - the study of the artists concerned.

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Citizens who are failing to be paragons of virtue

Edward Luce on attempts to alter Singaporeans' 'Stone Age behaviour'

William Gibson, an American writer, once compared Singapore to "Disneyland with a death penalty". In the light of the government's decision to promote "gracious living" in Singapore, the author's remark might strike outsiders as prescient.

The latest morality campaign, which, it is thought, will get into full swing later this year, follows hard on the heels of a string of publicity drives Singaporeans have been bombarded with since independence.

Singaporeans have been exhorted to smile more, litter less, show more courtesy to strangers, give up smoking, combat obesity among children, eat less at buffet lunches and, most consistently of all, promote caring family values.

Passengers on Singapore's underground are confronted with billboards of couples gazing soulfully into each other's eyes, families sharing a joke with intimate togetherness and healthy schoolchildren beaming vacuously at the world. Television ensures that Singaporeans do not forget the message once home.

Nor do the city's taxis and buses get off lightly. Indeed, it seems almost anywhere the Singaporean casts his glance a stylised paragon of the virtuous citizen grins cheekily back. Disneyland's personnel department clearly has a fight on its hands. A government-sponsored handbook called *Our Family Book*, neatly captures the tone of the family values campaign. The book, which contains pull-out family-member-of-the-month certificates for displays of kindred virtuosity, is an illustrated dialogue of how families should behave. Very often Mum and Dad

would join in the fun. That day Daryl and Elizabeth had chosen to do some "Creative Art" exercises. "Right Da," started Daryl, "Da" being his nickname for his little sister, "darling" in short. "Write the letter 'G' and change it into the drawing of a telephone."

"Easy-Peasy," Elizabeth responded with a wide grin on her face, as she began to transform the letter 'G' into a rather cute looking telephone. "Mum, Dad," Daryl called out excitedly, "Look what Da did! It's very nice!"

Da and Daryl are then petted by their loving parents and encouraged to draw up a list of family duties. The adoring children colour in the phrase: "Be there whenever Mum needs us and obey her always."

Dr Chue Soot Juan, an opposition member of parliament who was dismissed for incompetence from his position as psychology lecturer at the University of Singapore shortly after being elected in 1992, says that the government is barking up the wrong tree. "We have had these incessant campaigns for as long as I can remember," he said. "Somewhat we have learned to become deafened to them. We see it as just another facet of our lives with which the government wants to meddle."

A brief flick through the government's annual Marriages and Divorces handbook suggests that moral marketing might not be as effective as others claim. According to government statistics the divorce rate has almost doubled since 1980 to around 10 per cent of marriages. Although it has dropped slightly since 1990 the trend suggests that even the slickest publicity drive cannot prevent a bad marriage from disintegrating. George Yeo, Singapore's min-

ister for information and arts, makes it clear that he has had his fill of such scepticism. The splintering of the western family leaves the government in no doubt that it is right to encourage Singaporean society to strengthen its moral values. "Within a generation things in the west have declined," said Yeo. "Many in Singapore wish Britain [could still be] what it was in the 1940s and the 1950s - a more honest society."

Whether Stone Age man tended to park his car indiscriminately or not is a matter for debate. One thing, however, which most Singaporeans seem to agree on is that their social behaviour has not yet caught up with their economic achievements. The island state is now reaching itself for another publicity blitz.

"I think the campaigns are quite effective," said one PR consultant. "We cannot afford to be complacent." Back at the typical Singaporean home, family values appear to be strengthening rapidly. The birth of a third child, Veronica, has brought the members closer than ever before. Mum and dad have decided to reward the children for behaving in an exemplary manner while mother was in hospital.

Dad: "Besides giving us so much joy and love her birth has also given us golden opportunities to understand and practise family values. Because it is so important to practise these values Mum and I have decided to have a fun-filled and meaningful family competition each month called Family Member of the Month award."

The children were very familiar with such competitions as the family had had numerous similar ones in the past. For this award, however, everyone knew there would be no losers.

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FASHION



This season the shirt becomes an entirely glamorous entity

Crisp rather than sweet, and definitely not a blouse, the shirt has usurped the twinset and taken the place of a jacket. **Karen Wheeler** reports

This summer, the shirt is not just a sober item to be worn under a tailored suit to the office. Ever since Gucci showed slim-fitting, 1970s style shirts in teal blue satin over velvet hipsters last season, the shirt has become a big fashion statement.

Worn over narrow trousers or an A-line skirt for day, reworked in lace, iridescent organza or stretch satin for evening, the shirt is the cornerstone of summer's fashionably simple look.

It has certainly usurped the cropped twinset as the thing to wear with capri pants; and in some cases is even asserting itself as a more comfortable, hot weather alternative to the tailored jacket.

The key thing to note is that this season's shirt is crisp rather than sweet - with clean lines and a neat, pointed collar rather than foppish flounces, ple-frill necklines or Peter Pan collars. It should not be confused with the knitted cotton polo shirt which is undergoing a revival. Nor is it to be mistaken for the baggy, oversized shirt, for long a favourite over jeans or leggings.

This shirt is an altogether more glamorous entity. It comes in striking colours and interesting fabrics and textures. Fitted and body-hugging (to the point of looking shrunken), it is cut narrow around the shoulders and is flattering to women of all ages.

Ideally, it should be worn with the top two buttons undone and, if not a hint of cleavage, at least a glimpse of collarbone.

The fitted shirt is not as impractical or as uncomfortable as it sounds. Thanks to the addition of that magical ingredient Lycra, it does not constrict or inhibit movement.

These skinny fitting styles tuck under the waistbands of trousers or skirts, sit neatly under jackets and allow you to move freely.

Stretch silk satin or cotton are the most popular fabrics, closely followed by silk jersey or shantung. (Incidentally, this is no time to turn your nose up at man-made fibres; synthetics are big fashion news and an obviously polyester shirt is now considered perfectly acceptable.)

If Chardonnay is all you make, you get it right. Or else.

Such is the competition among Chardonnays, you need dedication to stand out. James Herrick spent 22 years studying the grape, from Champagne to the Boroosa. Then he brought back the technical skills learned in the New World and blended them with Old World savoir-faire in the South of France. He planted Chardonnay and nothing but. He makes his own wine using his own grapes, and no other. And each vintage he produces a classic: elegant, powerful, long-finishing. Nothing else will do for him. Nothing less should do for you.

James Herrick
CHARDONNAY
1994

James Herrick
CHARDONNAY

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Do not turn your nose up at man-made fibres; an obviously polyester shirt is perfectly acceptable

Although much depends on the style, the appeal of the shirt is that it is extremely versatile and can be worn in a number of ways. The cropped, short-sleeved shirt could quite easily be layered over a shift dress or a shell top instead of a jacket. It covers up bare shoulders (still frowned upon in most offices), can look quite business-like but is infinitely more comfortable than a tailored jacket.

MaxMara's short-sleeved shirt in soft suede, for example, lends itself very well to this, while Nicole Farhi's luxurious, copper-coloured, Madras check shirt can be worn buttoned up over capri pants or white jeans for a casual look but is a dressier option when worn open over her henna-coloured, crinkle column dress.

The impact of the shirt often lies in the simplicity of the look. What could be more pared down and perfect, for example, than Jil Sander's crisp black cotton shirt, sleeves rolled up above the elbow, several top buttons undone and tucked neatly into the waist-

band of a straight, white leather skirt?

Plain, fly-fronted styles also suit the mood of modern minimalism. Accordingly, although Thomas Pink insists that its woman's cotton shirt is aimed at a traditional office-wear market, the fly-fronted style, with or without double cuffs, suddenly looks very fashionable indeed.

For a more casual look, the shirt knotted at the waist with capri pants or side-zipped, slim trousers also looks good. Against black or white, the effect of a plain coloured shirt in icy green, lilac, bluebell, or pink looks really crisp and clean. The Gap, for example, has fitted, short-sleeved shirts in apple green, hot pink or turquoise cotton which are very good value at £21.

Although for now the shirt revival relies on fabric and colour, next to come is the introduction of print.

Gingham checks are already popular, as are multi-coloured candy stripes. Gucci has followed up its successful plain satin shirt with a silk chiffon design boldly printed with

Street, London W1, (inquiries: 0171-734 1234). Traditional Liberty style prints are set to become very fashionable although it is a shame this shirt does not come in a more fitted style.

- Wallpaper print, cap-sleeved, waisted shirt in stretch cotton, £29.95 by Karen Miller, 17-19 Neal Street, London WC2, (stockist inquiries: 0171-622 664032). A good shirt for evening.
- Blue paintbrush stripe shirt in glazed silk chiffon, £330, by Gucci, 33 Old Bond Street, London W1, (tel: 0171-629 2716). Another hit from Gucci, this shirt has been widely copied. Perfect for evening, it looks very Riviera chic with slim trousers but because it is sheer it needs a vest top or camisole underneath. Also available in pink/orange/white colourway.
- Liberty floral print shirt in pure cotton, £49.95, at Liberty, Regent

over a plain dress.

- Bottom left: Jada green splashy floral print shirt in silk crêpe, £135, by Equipment, 21 Sloane Street, London SW1, (stockist inquiries from Joseph press office: 0171-629 4774). This 1950s-style shirt features a pretty print and looks good worn over white jeans or capri pants.
- Bottom right: Lilac fly-fronted pure cotton shirt, £39.50, by Thomas Pink, 85 Jermyn Street, London SW1, (stockist inquiries: 0171-493 2202). With long sleeves and double cuffs, this is a very traditional shirt but its simple design and fly front make it fashionable. Would work well tucked into a straight skirt.

Illustrations: Kim Dalziel

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HOW TO SPEND IT

The sweet smell of an event

Lucia van der Post reports on the launch of Allure, by Chanel, and finds it lives up to the hype

A new perfume from Chanel is always an event. Chanel, after all, is the house that first exploited the happy and profitable symbiosis between fashion and perfume.

Now that perfume is such an established part of most women's lives it is strange to be reminded that when Gabrielle Chanel launched Chanel No.5 in 1921 it was then a radical and revolutionary move.

Until then, although scents were much in favour, the choice lay between a single floral note or combinations of florals. These faded quickly so the fashionable set tended to douse themselves at the beginning of the day or evening in order that there would still be some scent remaining by the end.

Edmonde Charles-Roux in her biography of Coco Chanel quotes from one of them: "The duc de Mouchy was our nearest neighbor. I always knew when he had walked past on the pavement, because he left it reeking..."

Coco changed all that. When she and Ernest Beaux, the "nose" in whose Grasse laboratories Chanel No.5 was perfected, developed the perfume, they discovered that by

creating a stable formula with the addition of formaldehyde, smaller amounts of it would do. At the same time the complexity of the formula made it mysterious - nobody could quite put their finger on what it was made of.

In addition, Coco, with her intuitive feel for the shift in the zeitgeist that was in the air, delivered this complex, mysterious smell in a graphically simple bottle and gave it a simple numerical name. Overnight Chanel No.5 gave the old powerful floral scents and their elaborate containers "the dishonouring stigma of the outmoded".

Today, Chanel is one of only three houses (Guerlain and Jean Patou are the other two) which develops its own perfumes and has its own "nose". All other houses, because of the economic disasters with which olfactory history is littered, use outside perfume-developing houses and employ a freelance "nose".

Chanel's four leading perfumes (No.5, No.19, Coco and Cristalle) and four small, special ones (Bois



Coco Chanel would have approved

des Iles, No.22, Gardenia and Cuir de Russie) that are sold only in its own boutiques, account for about half of Chanel's world-wide profits. Part of the reason for the house's

almost golden touch with perfumes may be that it does not go in for frequent launches - Coco, the last new fragrance to be launched, hit the counters in 1984 - and it is only



Keeping it simple: Allure

now, 12 years later, that it is launching Allure, its perfume for the year 2000.

Those unused to the marketing necessities of the perfume world

might assume that what matters most is whether it smells attractive. But you would assume wrong. Concepts, marketing plans, names, market researchers, notions of composite contemporary women - this is where perfumes begin and Allure is no exception.

For Jacques Polge, the resident Chanel "nose" it began with a dream, which he shared with Jacques Helleu, Chanel's resident designer, or "eyes". In the dream, Polge dreamt of someone who "was more than just a woman, and though I don't yet know her I'm already crazy about her. She is the very essence of woman, the woman who attracts all eyes, makes all hearts heat faster, the kind of woman a man never forgets."

Conveniently for Chanel, Helleu responded appropriately. "Allure? Mademoiselle Chanel would have loved that. Allure was her ideal, perfect seduction, free from pretension, elegance, free from the dictates of fashion and society."

He has doubts that something so mysterious, seductive and elusive can be bottled but Polge sees it as his task to bring it off.

Of course, Chanel is telling us all this, not because it thinks we have a deep interest in Polge's dreams but because it is doing what perfume houses all around the world have to do to sell thousands of bottles of liquid gold - creating an image that will be strong enough, beguiling enough, contemporary enough, to impel the woman in search of a new fragrance to reach for the Chanel bottle, rather than its equally carefully hyped rival.

Though marketing companies seem convinced that when it comes to selling scent image is what matters, some of us are old-fashioned enough to make our choices on the grounds of whether we like the smell or not.

Allure, it has to be said, smells wonderful. It is rich, mysterious, slightly spicy. In olfactory terms, it seems Allure has broken new ground.

Whereas classically French perfumes consist of top, middle and base notes, Allure is composed of six equal notes that overlay and mingle with no single essence, spice or scent dominating the others. Like most of Chanel's scent it comes in a simple, clear glass bottle adorned with the famously simple lettering.

It goes on sale in good department stores all around the country from May 20 and prices start at £22 for 50ml of eau de toilette.

Uncommon scents

Lucia van der Post follows her nose to report on a fragrant venture

Not so long ago Jo Malone was one of London's best-kept secrets. She looked after the skin, offered the treatments, put together the lotions and potions that perfumed and massaged some of the most famous faces in the world. Queens and Princesses, actors and actresses, and countless other women who heard of her treatments flocked to her small salon in Chelsea to put their skins and faces in Malone's tender hands.

All Malone's creams and oils, lotions and fragrances were developed by her and as a steady stream of her customers began to ask to hire them to take home a new business grew - the development of complete skin-care and fragrance ranges.

Last year she finally opened her own shop at 154, Walton Street in London's Brompton Cross - a jewel of a shop, exquisitely fragrant, in which advice is dispensed and all her products can be bought.

Next week Jo Malone launches another service which will be welcomed by those who have become addicted to her products (the nutmeg and ginger seems particularly to attract fans - possibly because there is nothing else quite like it on the market at all).

The new service is a send-a-scent-direct service. The idea is that those who send flowers or

chocolates as birthday, anniversary or thank you presents might like to consider the option of sending something fragrant instead.

What could be a nicer thank you after a weekend in the country than a bottle of Malone's linen spray? At £22.50 for 100ml it is a terrific present and lasts longer than either flowers or chocolates.

One of Malone's more romantically inclined clients gave the object of his affections an initial present of some of the lotions at Christmas. He then arranged that on the first day of each month for a year she would receive another of the products. This is the kind of service the shop offers.

It is as easy to organise as flowers. Simply ring 0171-720 0202 and ask for a brochure which lists all the fragrances as well as the skin-care products. Telephone the same number to order. Prices for sending are identical to the list price but there is an additional £5 sending fee in the UK. To send abroad, the price will be quoted individually.

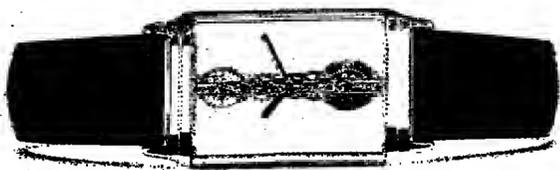
* Demand is so great that Malone regrets that she can take on no new personal clients.

■ Sketched here from left to right, are some of Jo Malone's products: 200ml bottle of lime, basil and mandarin bath oil, £42; mimosa scented candle, £22; and 100ml of linen spray, £22.50.

□ Illustration: Brian Poole



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Gandhi's inspiration



From the Egg collection

Khadi cloth, as anybody who has ever foraged in the Khadi Shops in India will know, is the hand-spun, woven cloth that Gandhi so effectively persuaded Indians to weave at home.

It was an inspired move, offering the combination of a moral and a commercial purpose and to this day it is on sale in every hue and colour at astonishingly low prices.

Now Egg, Maureen Doherty's idiosyncratic shop at 36 Kinnerton Street, London SW1X 8ES, is selling a collection of traditionally inspired Khadi clothes. Perfect for summer there are jackets, waistcoats, dressers and trousers, all hand-dyed in small batches, some in bold bright colours (as here), others in more sophisticated neutrals. Prices start at £60.

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TRAVEL

The art of Italy made easy

Antony Thorncroft enjoys some of the world's masterpieces

With the waiting to get into the Uffizi this summer likely to stretch to a miserable four hours, and proposals to tax each coach approaching the city a mighty \$40, Florence is becoming less and less appealing.

Does it matter? Close by Florence is a clutch of smaller, equally attractive, cities which offer comparable (almost) artistic masterpieces, from paintings to pulpits, with minimal hassle. The discerning tourist can rave over Lucca and Pisa, Prato and Pistoia, and hardly regret the loss of the Tuscan capital.

The even more discerning tourist can take most of the hassle out of absorbing Italian culture by employing a guide. Traditionally these were shabby fantasists with the look of retired postal clerks: now they tend to be Oxbridge art historians, with a thesis to sell. Simply Tuscan, the holiday company, employs Richard Chaney for its Art & Architecture tours, who, even in his mid-40s, is maturing nicely into the crusty, opinionated, academic.

To allow more scope for his opinions, and those of the other tour members, Simply Tuscan offers accommodation as a guest in a converted farmhouse north of Lucca. In the evenings there is no escape from your fellow art addicts but since they are all likely to share the same world view this becomes unimportant. The slothfulness and security of dinners spent around a well-supplied table half way up a remote hillside is a better climax to a day's surfeit of churches than wrestling with menus and mattresses in one of Italy's often forbidding hotels.

Chaney has the temerity to browbeat Italy's notoriously obstructive museum guides. One of the highlights of the trip is a tour of the Medici villa at Poggio a Caiano, built by Lorenzo the Magnificent in 1479 (well before Palladio) and the first holiday home to be created for over a millennium. This year the villa decided to close on the middle Mondays of each month. Chaney spoke and we were allowed to visit this magnificent treasure, with a frescoed main salon which

would have dropped the jaw of any contemporary, and most later, rulers.

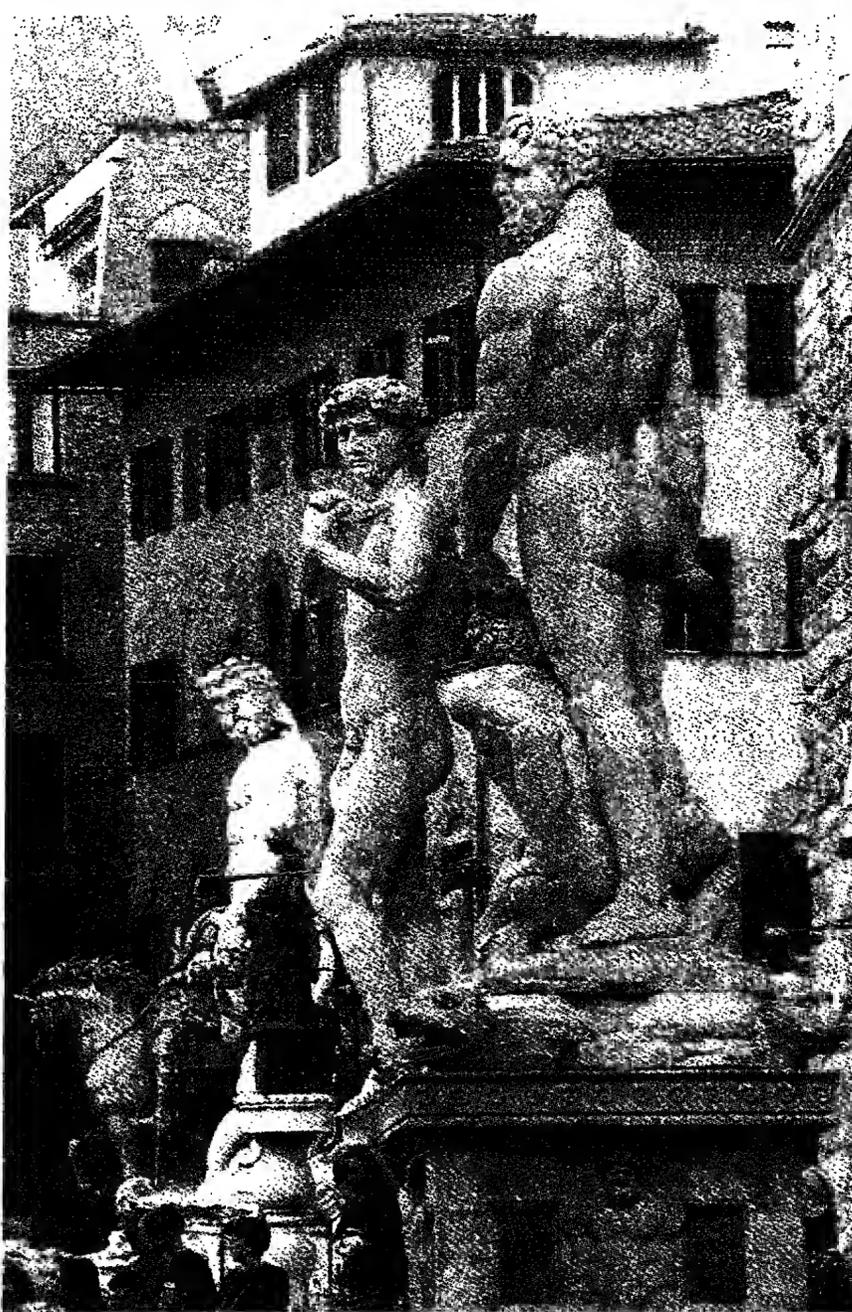
Chaney has a passion for pulpits. In Pisa the leaning tower (closed and still giving cause for concern) hardly got a mention alongside two pulpits, one carved by Nicola Pisano in the Baptistery and another, by son Giovanni, in the cathedral.

There is not much to Pisa apart from the Campo del Miracoli. But any tourist taking advantage of the special discount for visiting two of the architectural masterpieces in the Campo should include the under-rated Camposanto, where the medieval dead were buried in special soil imported from Jerusalem, which rotted the bones in 24 hours. It is surrounded with frescoes describing the mild pleasures of heaven and the gory miseries of hell.

With Pisa under the belt, the traveller can concentrate on the more appealing Lucca. Like the other cities it holds Florence in disdain. Unlike the other cities it has good reason to: it was never conquered by its mighty neighbour. Indeed it was never conquered by anyone until Napoleon lapped it up. It was the only Italian city to flirt with Protestantism, and sheltering inside its intact Renaissance walls - employed as a jogging, cycling and strolling circuit for Luccanese - it still cocks-a-snook at its rivals.

Lucca is worth a detour for one work of art - the tomb of Ilaria del Carretto by Jacopo della Quercia in the Duomo, which Ruskin described as "the loveliest Christian tomb in Italy".

There she lies, dead at 15, fixed in milk-white marble, her dog at her feet, as serene and breathless as a Raphael Virgin. She is the salvation of a dark, restless, superstitious-feeling cathedral, only redeemed by the sculpted strip of the labours of the mounts on its portico which offers a peasant's eye view of medieval life. The charm of Lucca is the variety of its attractions. One square is recognisable as the Roman amphitheatre, transformed in the 19th century into a circus of higgledy-piggledy houses but preserving the outline of the arena. In another the crowds, from children at play to old men in serious gossip, gather beneath the facade of San Michele, in its black and



The piazza della Signoria in Florence

Universal Pictorial Press & Agency

white Pisa Romanesque strip, layer upon layer of painted and twisted columns rising like a liana. The Luccanese never got around to building the nave at the rear, but the facade was cutely embellished in a 19th century restoration, with a portrait of Napoleon III among the gargoyles. The early church of San Frediano, with the 13th century mosaic on the exterior which opened the eyes of Ruskin to the genius of medievalism, is crammed with memorials, including the mummified corpse of San Xita; a splendid tomb containing the bones of a mythical king; and a font

depicting the Egyptians drowned by Moses as fully kitted out Norman knights. Lucca has medieval treasures but it also has smart shops and a charming museum devoted to its most famous son, Puccio. This is located in a homely top floor flat, and contains early costumes from Turandot, the Master's piano, and his waning last message which translates "Elvira poor wife, it is finished", all set off with taped music. Nearby Pistoia has a superb central square, bounded by a cathedral, baptistry and two palaces, and the early 16th century Ospedale del Ceppo, with its frieze by Della Robbia,

which enables Chaney to discourse on the usefulness of a belief in purgatory to fund, through charitable works, a sophisticated medical service. Prato, the centre of Italy's textile industry, is the overlooked star of north-west Tuscany. Drive through the endless suburbs into the old town. Here all is calm and charm and the picturesque, notably the cathedral where three times a year from the exterior pulpit (sculpted by Donatello with the original panels in the museum) the bishop displays the Girdle of Our Lady, the great treasure of Prato and the town's appeal to medieval pilgrims. The people of Prato are as

acquisitive as they are amiable, and if you wish to honour the father of modern capitalism the house of the merchant Prato, Datini, who in the 13th century perfected accountancy and made a fortune, is open to view. There is no slacking on this tour: you are there to enjoy art not window shop. But there is plenty of time to unwind in the evening, talking about gardening, education and feminism in art history, all the favourite topics of the English middle classes, in the farmhouse up the mountain. **Simply Tuscany Umbria**, 598-608 Chiswick High Road, London W4 5RT (0181-995 8277).

A Piedmont lunchtime

Kieran Cooke tipples and tastes

Valerio Sacco took off his sweat-stained hat and peered into his glass. He swirled the red wine around, like a priest washing the chalice. Important matters were being discussed. "The trouble with us old ones," said Valerio "is that we like our wine old. But the young (fingers and thumb are joined together, hand is gently rotated) they like it now, straight out of the vine. Of course some know the beauty that comes with age. But others - they are impatient in work, impatient in love and with their wine."

Apart from a sage ood, I make no reply. The atmosphere is rendering speech irrelevant. Late morning in the village of Madonna Di Como, high up in the Piedmont hills, home of some of Italy's great wines. The vast of the small family firm of Tenuta Langasco stretch down each side of the cantina. Home made salamis hang in the corner. Guiseppina, Valerio's wife, brought fresh glasses for another tasting. Lorenzo, Guiseppina's 88-year-old father, a short weathered man with jug handle ears and hands like hams, hovered around, his face breaking into an indulgent smile as the visitors nodded approval at each new sip.

At 9am we had opened the shutters in the nearby town of Alba and watched the magnolia tree below shedding its heavy white flowers. At 10, we sat in the Antico Caffè Calissano in a corner of the town square, had coffee and, since it seemed the right thing to do, ordered a glass of the local dry Arneis white wine.

In the nearby cathedral of San Lorenzo a group of elderly penitents said the rosary, their voices rising and falling like bees in early spring. And now wine tasting. Obviously it was going to be a hard day. Valerio once worked at Fiat in Turin. Guiseppina at Pirelli. In 1980, after running a restaurant in the city for a few years, they returned home to the Langhe hills around Alba and bought Tenuta Langasco. Vines were replanted, the hills drained.

There are few tourists in the region: only some rather lonely Swiss. Oddly, they travel all the way to Piedmont to build hillside chalets just like those at home. It is beautiful but hard country. It took sweat to produce the full-bodied Dolcetto and Barbera reds and the delicate Moscato and Arneis whites at Madonna Di Como.

Farther down the valley are the hazelnut orchards, hectare after hectare. Most of the nuts go to feed the local chocolate factory, one of the region's biggest industries. We are pressed to stay for lunch. But we have to see a man about a truffle or two. Alba is a centre for the delicacy. Every October Alba holds a truffle fair, launched by a chaotic donkey race around the town. Gian-Maria Bonino manages one of the largest truffle companies. We meet in a restaurant.

There is talk of truffle prices. Gian-Maria becomes confidential. It is a very competitive business. Truffles are like gold dust, with prices altering each day during the season. I have images of truffle rustlers and local history books with headings such as "The great white truffle war of 1783".

However, many details of the truffle trade escape me. Just when the battle at table appeared over, the main course arrived: thinly sliced calves' liver, with herbs and onions. My defences were down. The massed legions of the Italian culinary army launched a devastating assault. The stomach shouts for help, the brain grows distracted.

Gian-Maria has cleared his plate. He says Piedmont desserts are famous. One first has a little cheese. Some Castelmagno - the king of the local cheeses - or a fat slice of Gorgonzola. This is safely tucked away and then it is on to the *panna cotta* or hazelnut cake and the *bunet*, almonds in egg custard. Coffee and grappa are served along with *brutti ma buoni*, a teeth-breaking selection of hazelnut petit fours. By this time the white flag had been hoisted. Valerio and his wine and Gian-Maria and his truffles had defeated me.

We came out into the Easter sunshine. A priest strolled by licking a large, pink, ice cream. It was all just a little overwhelming. **Alba is in southern Piedmont, about 1 1/2 hours drive, train or bus ride south of Turin. The town is about 2 1/2 hours south-west of Milan.**



Lake Garda, seen from the yacht club gardens of Riva, is like a stage set. Mountains draw apart, disclosing a calm surface. The narrow end of the lake is in Trentino, which a few diehard Austrians still call Súdrol. Farther down, where it broadens, you have Lombardy on the western shore and Veneto on the eastern.

A few miles away, on your right, aromatic shrubbery falls to the water's edge. That is Limone where the lifeblood of so much of rural Italy, were first grown. Or so they say. Between Limone and other swallows'-oest villages of the Garda shore you glimpse an amazing cornice. On the map it is the obvious route to Brescia and Milan. In reality it is a hindling succession of tunnels and sunlight, so hazardous that a one-way system unofficially operates, that is southbound traffic in, northbound pm. Even so, there is always a chance of meeting a 15-wheeled truck-and-trailer thundering out of the dark or the glare.

On your left you see down the lake as far as Malcesine. Mist hides the camping parks. The crags and watchtower above look much as they did 500 years ago when a Venetian admiral had a flotilla of warships towed up the Adige river, dragged by oxen over the mountain and re-launched at Malcesine. They were his secret weapon in the struggle to drive the Lombards from the lake. It took three months to transport them and in three hours the enemy had sunk them all or driven them ashore.

Today the aquatic action is recreational. Every morning from the shingle beach between Riva and Torbole, the breeze takes hundreds of dinghies and sailboats down the lake. Every afternoon without fail the breeze brings them back - just as well, because many craft are piloted by toddlers.

The painless route to these resorts, the A22 Modona Trento-Bolzano-Brenner motorway, crosses and recrosses the ice-blue Adige river and climbs steadily towards ever-narrowing valleys and ever-taller clusters of rocks. Torbole is a rarity among lake resorts: people go to bed early, discos are not heard and the bars and restaurants close at about the time you would expect them to open. The painless route to these resorts, the A22 Modona Trento-Bolzano-Brenner motorway, crosses and recrosses the ice-blue Adige river and climbs steadily towards ever-narrowing valleys and ever-taller clusters of rocks. For Torbole and Riva, turn off at

The simple and the sophisticated

Leslie Gardiner discovers the riches of Lake Garda and Trentino



Sirmione Gardasee Skaligerburg; the fifty borge of Kafka fame would not now be admitted to tidy Trentino

Rovereto and pause. If you can face some stiff pedestrian stairways, to study the first world war memorabilia in the military museum. They tell the story of Italy's campaigns against the old enemy, Austria, along the Piave, Isonzo and Tagliamento rivers - the war of Hemingway's *Farewell to Arms*. Near Rovereto you meet the first Trentino vineyards amid small lakes and gentle slopes ringed with

mountains, where claret-type reds are produced. For several centuries the Trentino growers have had links and exchanges of stock with the growers of Bordeaux. I have seen Trentino's Teroldego in British

supermarkets, but not Folaneghe or Sorni or the Marzemino, recommended in the last act of Mozart's *Don Giovanni*. Almost everywhere in this region, road travel demands cool heads and sharp reflexes. It is a land of precipitous mountain groups, offshoots of the Dolomites, great winter sports country, split by forested canyons and torrents. Roads are narrow with steep gradients and tunnels. Local people will not fail to remind you that under Austrian rule there were no roads at all. It took Italian engineers and navvies to open up Trentino.

Now and again, under the sheltering crags, your road dips down to lemon orchards, olive groves, and meadows choked with flowers as in the Impressionist landscapes. We stayed a couple of nights at Molveno, population 2,000, height 1,500 feet about the same. The shores of its small lake are crammed with the wild plants of home, jostling for elbow-room with Mediterranean and Alpine flora. A by-law permits you to pick five flowers a day, no more. You may gather mushrooms on one side of the valley on Mondays, the other side on Thursdays. The environment of Trentino is well guarded. These embargos on the fruits of the earth did not seem to hamper our chef: mushroom risotto, quails *cacciatore*, forest strawberries and lake trout were everyday fare at the Molveno hotel, which was little more than a guest-house with geraniums in window-boxes and a garden of roses and lavender. For something more elaborate - and

expensive - you had to go to Riva's Hotel du Lac or Trento's Chiesa restaurant. Molveno lies on the route to the ski slopes but Trento, the regional capital, a few miles east, has a snowy mountain all to itself, Bondone, 6,000ft. Its downhill run is said to have been the first in Italy. Trento is a peaceful and well-conducted city, sprawled under the mountain and under the benign gaze of the Buonconsiglio fortress. The name Good Council recalls the ecclesiastical landmark of 1545, the Council of Trent. Cleanliness is next to godliness: the frescoed facades of the Belezanini invite graffiti, but there are none. At the end of a summer day in the central square, where fountains, children and brass bands have been playing and the townsfolk gossiping over iced drinks and *macedonie* of fruits, you see very little litter. The filthy old sailing barge of *The Hunter Gracchus* of Kafka fame would not now be admitted to Trento - or any part of Trentino. Castles such as Buonconsiglio, massive and complex with vast galleries, aod frescoed chambers, occupy commanding heights over towns and villages. You need an hour or more to inspect Beseno or Stenico. Others, such as Toblino, dip their toes in a lake and call to mind Elean Donan in the Scottish Highlands. Money has been lavished on them and today they work for tourism with concerts, courtyard drama, banquets and *son et lumiere*. Last year they had a special train, with costumed guides and piped madrigals, to trundle the castles tourists. Perhaps this year the experiment will be repeated. **For information on all tourist matters contact English-speaking Dr Patrizia Tarazona, Azienda per la Promozione Turistica, Via Sighele 3, Trento (TN) 0116, Italy.**

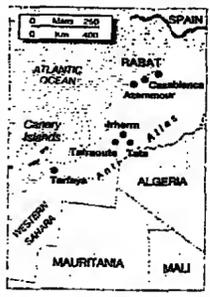
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TRAVEL

Next stop, the Sahara Desert

Nicholas Woodworth in the footsteps of Beau Geste

Travelling through the hot, rocky land between the mountains of the Anti-Atlas and the Sahara Desert, I started reading P.C. Wren's Beau Geste. An improbable tale of the Foreign Legion, it is a cracker of a story, if you go in for such things as sand-storms, fatigue, fever, desert bloodshed, mindless gallantry and various other excesses of adolescent literature from the imperial age.



blue veils and robes who trail after tourists in the streets of Tafraoute really Touaregs? I doubt it - desert bandits have more dignity. Where, I wondered, pouring over a map after a pesky evening, could I find a desert refuge where I did not need the loopholes of a mud fort to gaze out from?

The Toureg used to put travellers to the sword. These days it is worse

Adjutant Lejaune sounded like a Club Med social director from hell, and I was glad I had not come to tour southern Morocco with the Legion. But now, sitting besieged in my airless hotel room in Tafraoute, I began to feel like Beau Geste's heroes. I, too, was suffering a little from the dreaded *cafard*.

It was not the accommodation that was fraying my nerves. It was not the heat. It was not even the endless plates of cous-cous. It was, in the best Beau Geste tradition, the waiting Touaregs outside.

town of Tata. It is not given a star in the Michelin Guide. It is not even listed. It seemed a good place to head for.

As the proverbial crow flies, Tata lies only 90km east of the spectacular red rock mountain bowl of Tafraoute. But as the rented Fiat Uno bumps and scrapes, it is a great deal further, so rugged is the terrain in the Anti-Atlas, so poor some of its tracks, that I ended up having to zigzag my way across the range twice.

I did not regret it, for this is a breathtaking land. From Tafraoute the road wound its precarious way through the valleys of the Amezigh tribe, Berbers who have transformed their homes into red ochre fortresses and their rocky hill-sides into terraced, irrigated

gardens. For all their spare and serene beauty, these valleys might be Oriental woodcuts. But the Amezigh are more than farmers. Renowned for their commercial acuity, they leave their women to the back-breaking drudgery of the fields, and take to the cities of the north. Half the corner *epicerie* shops of Paris are run by Amezighs.

I was not unhappy with this arrangement. Free of the overbearing gaze of their menfolk, Amezigh women are, behind their veils, some of the most spontaneously friendly and cheerful people around. Anyone who thinks it is easy smiling and waving at strangers in cars when bent double by the roadside under vast loads of wood or water should try it.

At Irbarn, 6,000ft high on the Anti-Atlas watershed, I entered a dramatically different countryside. Rainfall on the southern slopes of the range is scant, and desert life took over. Camels replaced women as beasts of burden. Like chocolate layer cake, the mountain-sides became bare, rich brown stratified layers without cover. Deep in wadis and riverbeds, long slashes of green - linear fields close to underground streams - were the only bursts of bright colour.

It was dark by the time I emerged from the mountains and pulled up outside the Hotel de la Renaissance in Tata. An unlikely speck of northern civilisation in a far-flung desert town, it boasted a framed "Mona Lisa" and a Florentine cherub on the wall above the bar. On the bar itself stood a bottle of pestis. And behind, standing ready to greet and pour, was the Renaissance's smiling, congenial proprietor, Belkassan Belkassan.

I took to him immediately. Belkassan has had a life as exotic as any French Legionnaire's. After smuggling himself into wartime Marseilles as a 16-year-old stowaway, he spent 40 years working in the shadowy *demi-monde* of cabarets, dance halls and other questionable establishments across Europe. Inventing as it all was, Belkassan said, the



On the frontier: Tata, an 'unlikely speck of civilisation' in a far-flung desert land

desert is a healthier place. He has come back for the pure, clean desert air of his childhood. Tata, he said, is a good place to relax.

So it seemed to me. In Tata, last stop before the empty Sahara, a frontier atmosphere reigns, but of blue-veiled Touaregs there was not a sign. I spent the better part of the day, as most of the citizens of Tata do, in a somnolent heat-struck daze at the cafe tables under the shady arches of the town's main street.

In the hot part of the year temperatures here push 50°C, and no one does anything. In the least hot part no one does a great deal more. I drank coffee. I chatted with my neighbours. I gazed at Tata's curious thick-walled, pink-toned buildings, blinding in the sun. I watched chess games at neighbouring tables. I swished flies. I ate cous-cous. At no time was there any hint of a guided visit to the local sights.

And so I decided to see them. At about five o'clock, when the shops began to open and the streets to fill with the long robes and turbans of Berber and Bedouin, I made my way out of town and crossed a deep, stoney wadi to Agadir Lenays. Tata is an administrative town, and feels very old indeed. Agadir Lenays is an oasis village, and feels very old indeed. Constructed on an inclined rock face of stone and mud and tree trunks, much of it must be negotiated through a labyrinth of eerie, dark, covered passages - a desert architecture

conceived with blazing temperatures in mind. When I emerged, somewhat gratefully, at a Moroccan shrine at the top of the village, I looked out over the vast date-palm oasis, a dark green lake bordered by lifeless, endless sand, that makes existence here possible. What calm serenity pervaded the feathery canopy of that oasis. Beneath it, in a cool and dreamy atmosphere of underwater green, figs and wheat and olives grew; children ran

along earthen paths worn down by bare feet; women, veils down and chattering happily, washed clothes by streams of clear running water. I walked on through the palms, following a web of tiny irrigation waterways until I was hopelessly lost and quite happy about it. P.C. Wren seemed far away. For the time being, at least, *le cafard* - heat and sandstorms, mad adjutants and men in blue veils - hardly mattered at all.

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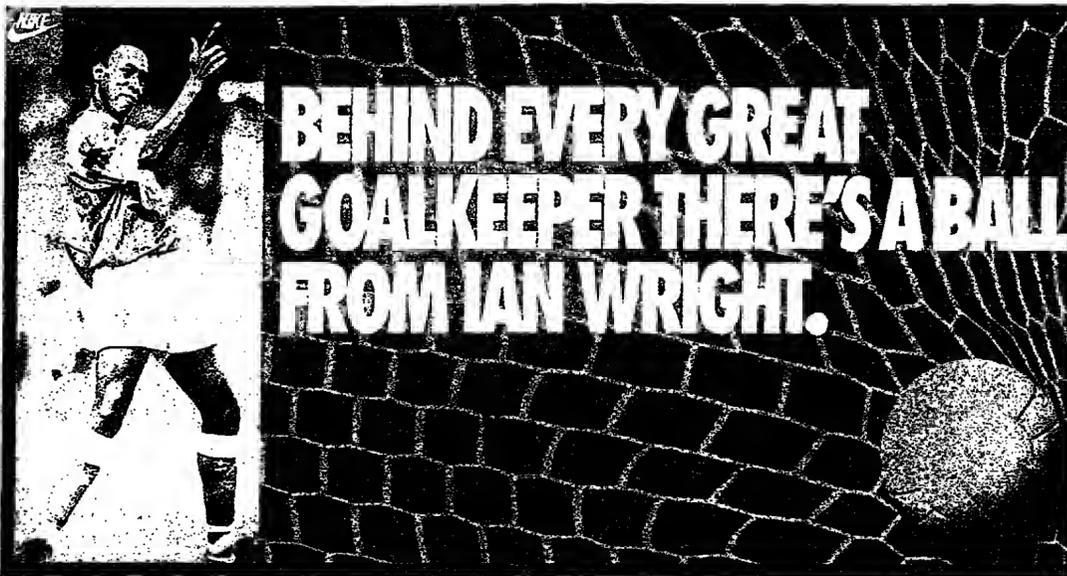
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SPORT

The world doesn't need another hero

Michael Carlson thinks Britain's sports stars have a long way to go before they are marketed as excruciatingly as America's



Wear Ian Wright's boots, be Ian Wright: the marketing of a modern sports star

Photographs: Advertising Agency

Once, a British sportsman's universe extended only to the boundaries of the playing field. His kit never changed, he earned a working man's wage, and he mumbled humble homilies only when asked. Fans followed their heroes through newspapers and radio, collected trading cards or stickers; only the lucky saw them at the ground. Sport had its place, after work on Saturday afternoon. Things were different in America. Just as Daniel Boone's exploits sold land in Kentucky, or Buffalo Bill's sold Wild West show tickets, sportsmen were quickly being sold. Babe Ruth played himself in a film in 1923. During the Depression, Ruth held out for \$80,000 a season. Someone pointed out that that was more than President Hoover made. "I had a better year than he did," said the Babe. The club system, either relentlessly amateur or ruthlessly owner/worker in structure, insulated British sportsmen from the outside world. No American hero could ever be referred to as a "servant of his club".

plained in an interview that clubs' total control of football was strong enough to keep the tentacles of his International Management Group out, because there was no way to promote players. Now IMG is signing footballers, and has made a multi-billion dollar bid for all rights to the World Cup. Television played a big role in breaking the hermetically sealed world of sports. It pushed sportsmen into the living room, and even popularised new sports. Gridiron and sumo rode the wave of the yuppie 1980s to popularity. Italian and fantasy football followed in the 1990s. Today, Channel 4 has posters of basketball star Dennis Rodman and his bright green hair all over London. You cannot see Rodman's tattoos, his body-piercing and his *avant* lifestyle, including one season as Madonna's consort. Sports Illustrated, the US magazine, illustrated a cover story on Rodman with photographs that echoed Helmut Newton. Rodman discussed at length his desire to explore his sexuality. The player they call "The Worm" led the NBA in rebounding for four of the past five seasons, yet he has not played in its All-Star Game since 1992. This irritates Nike, which provides shoes for Rodman to endorse. Its full-page newspaper advertisement during the All-Star Weekend in San Antonio looked like something from the Satchi Collection: totally blank except for two words in small print, "Where's Dennis?".

Adversity may bring out nobility, but it cannot make a man noble. Thus stars are heroes only until they start thinking of themselves as such. Attempt to transcend your place and you become a class traitor. But marketing exists to change the way you think you are. Wear footballer Ian Wright's boots, he Ian Wright. When Reebok signed soccer talent Ryan Giggs, they saw a unique football talent, but also an attractive teenager whose image could be moulded. Will they "position" Giggs with a media-friendly personality, or be content to take their chances with the run of play? It is a far cry from Dennis Compton endorsing Brylcreem. A sportsman turned celebrity can be sold forever. Pete Rose may be banned from baseball's Hall of Fame because he bet on his team's games, but he makes a comfortable living selling his autobiography. Charles Barkley, the larger-than-life US basketball star, tells parents he is not supposed to be a role model for their kids. The same parents rush to buy their kids Barkley's Phoenix Suns jersey. Contrast this with former Olympic decathlete Daley Thompson. Attractive, well-spoken, world champion: if Daley were an American he would be doing movies with Leslie Nielsen. But a wisecrack about the Princess Royal here, confidence turning to arrogance there, and Thompson became a tabloid dartboard. Daley's insouciance would not matter today. Do not tell the Eurosceptics, but according to one poll of 11- to 19-year-olds, Britain's most popular sportsman is French soccer player Eric Cantona. The poet of seagulls and trawlers might seem too Gallic in his petulance, but he brings "attitude" to the game: this is a quality once prized more in rock stars than footballers. Anyone can understand attitude. Gazza's tears, Prince Naseem's Technicolor shorts, even Vinnie Jones's forehead - these are things that are recognisable, and can be marketed. Before you reach for the Prozac, rest assured that Cantona was followed by racing driver Damon Hill, Giggs and boxer Frank Bruno. The "attitudinising" of British sport is not yet complete. Baseball writer Bill James once watched the antics of "Neon" Deion Sanders, aka "Prime Time", and asked rhetorically: "Does his persona actually appeal to anyone, or do you think he just gets advertising dollars because the world is screwed up?" He's right.

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Another era: Dennis Compton endorsing Brylcreem



Teamwork: boxer Henry Cooper and footballer Kevin Keegan used to concentrate on Brut strength

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1520

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MOTORING

Car for all seasons

Stuart Marshall on the vehicle which changed a brand image

Safe, reliable, sluggish and boring. That, according to Volvo, is what potential buyers in many markets - Britain included - used to think about its cars. Having driven them for thousands of kilometres in Lapland in mid-winter, and seen how well they performed in dreadful conditions, I have always taken a more charitable view. But never mind. Volvo cars no longer have an elderly, cocoa-at-bedtime image. The car that has changed everything is the front-wheel driven, five-cylinder engine 850, launched five years ago. An instant success, it revolutionised motorists' perceptions of the marque and has proved to be the best thing Volvo has made. Volvo calls the 850 a car for all seasons and reasons. It is fair to say that the launch model had a 125-horsepower 20-valve engine and handled with unaccustomed sharpness and precision. Its face was not its fortune for the styling was pedestrian but no Volvo had ever gone so nimbly before. A Spanish journalist was quite carried away at the launch. He drove the 850 faster and faster round a private circuit. First time through the chicane he smashed the offside mirror; next time round it was the nearside mirror's turn to go; and on the third lap he got it so badly wrong he put the car on its roof at some speed. He emerged unharmed, even unbruised, and far less embarrassed than I would have been. There could have been no better demonstration that the 850's sprightliness had not been achieved by sacrificing its armour plated crash survivability. In the last six years the 850 has become Volvo's big volume car. It is manufactured in Belgium and Canada as well as Sweden. Variants have included cheaper versions with 10-valve engines, estate cars and very high performance models with twice the power of the original 850. Last week in Sweden I tried the two latest; a four-wheel driven 850 estate with a mildly turbocharged petrol engine, and a direct-injection turbo-diesel with automatic transmission. Its 5-cylinder engine, bought in from Audi, puts out 140 horsepower and has so much low-speed torque (pulling power) that the automatic transmission - also used on the petrol engine 850s - has been reinforced. Rewardingly quick off the mark, the 0-100 time is 10.7 seconds and it also responds rapidly for overtaking. Prices start from £22,550 (saloon) and £23,550 (estate). For a go-faster driver (no, not me) Sweden must be a frustrating country. Away from the cities, the smoothly surfaced main roads run through endless forests of pine and birch. By the standards of south-east England, they are virtually traffic free. But the speed limits are low, the ditches on either side of the tarmac are deep and monster elk occasionally emerge from the trees. Volvo says the 850TDI is good for 195kph (121mph) and the much more powerful, low-pressure turbocharged petrol-engine all-wheel drive (AWD) estate, 220kph (137mph). I have no reason to doubt either claim. All I can say from personal experience is that the AWD manual made even shorter work of passing trucks and trailer of nightmarish length than did the TDI. On dry roads, nearly all the power goes to the AWD's front wheels but if they lose grip, some power is diverted to the rear wheels. It is all completely automatic. Traction is further aided by an anti-spin system on the front wheels, an automatic differential lock on the rear. Volvo bravely allowed the AWD estate to be driven off-road through a forest with the odd stump sticking up through the soggy carpet of pine needles. Few owners would, I imagine, cruelly abuse a £27,400 car in this way because its ground clearance is inadequate for such goings on, nor are the vulnerable bits underneath shielded. It would, though, be a great car to drive on snowy mountain roads. Volvo sees it competing with 4x4 cars like the Audi A6 quattro estate or BMW 320iX. Touring and suggests it would be good for towing a couple of hunters, a boat or a large caravan. I am sure it would, but a Subaru Legacy 2.2-titre estate with a set of low range forward gears would be cheaper and possibly even better although it could not match the Volvo's luxury. For all their potential benefits, normal road-going cars with four-wheel drive have not made much impact in Britain. I doubt the Volvo 850 AWD estate, attractive car though it is, will start a trend.



Volvo 850 AWD. A luxurious turbocharged estate car with all-wheel drive

A form of warfare

Continued from Page 1

ing captain, Will Carling, famously labelled old farts. Moreover, the Five Nations and the World Cup pull in huge television audiences. But the club game has no such appeal. This year around 400,000 people will watch English first division games. This compares with 11.2m in 1994-95 for football's Premiership and 600,000 for rugby league's 1995-96 centenary championship. And rugby league, although nominally professional, had only two full-time professional sides until this season. Fresh money was necessary if the club game was to go professional. Its problem, paradoxically, is that funds were rapidly forthcoming for a few clubs. Sir John Hall of Newcastle United FC took over the city's struggling rugby club. Property magnate Nigel Wray acquired Saracens, the north London club. The English game's notional aristocrats, Harlequins, won a £1.5m three-year deal with NEC, the Japanese electronics company, and will be renamed NEC Harlequins of London. Newcastle secured the England outside-half, Rob Andrew, on a lucrative rugby manager contract and began buying up players. Harlequins is reported to have given the Wales lock forward, Gareth Llewellyn, a £250,000 contract; one consequence of professionalism is that top-flight locks - unglamorous but scarce - are attracting serious rewards. Most clubs had expected gradual change. Gareth Davies, chief executive of Cardiff, the Welsh champions, says: "We expected to pay enhanced expenses, but not much more at first." Last season, they paid around £100,000 in expenses. Forced to compete for talent, the club is budgeting for a wage bill of around £1m next season. So is Bath, the English champion club. Even a second division club, such as Bedford, once a power in the land, reckons it will need an extra £200,000-£300,000 - a tall order on an income of around £500,000. While repelling predators away from its talented young backs, it needs to spend to attract new forwards. And neither Bedford, Bath nor Cardiff can be certain their budgets will be adequate. One London official says: "The market is febrile, unstable and full of fear. Most players are still up for grabs, prices have not stabilised and everyone is desperately looking for new sources of funding." There will not be enough Nigel Wrays or NECs to go round. Hence the money rows with unions as top clubs seek a larger slice from existing competitions. Davies says: "The gate money at a Welsh cup final is around half a million and the finalists get around £20,000 each. It is pitiful." Hence also their desire to control television rights for the European Cup. This gets fully under way next season after this year's lively pilot competition which was won by Toulouse. The general belief of those clubs without rich backers is that television can be their lifeline. They could be disappointed. Steve Burnist, lecturer in communications at Westminster University, argues: "The real question is whether people will buy satellite dishes to see club rugby. I don't think many will." A deal linking club games to the popular Five Nations may be the answer, but at the cost of handing some Five Nations games exclusively to satellite television. All this might suggest that investors in the game are unlikely to see a return on their money. But Nigel Wray and NEC's sponsorship director, Ian Spero, argue that the crowd levels are evidence of unfulfilled potential rather than the limits to growth. Wray, a lifelong player, says: "As soon as I heard about the changes in the game, I knew there was a chance for someone like me to get involved. Rugby's my game. Saracens is a good club with a huge potential catchment area." Taku Okutsu, NEC's managing director, sees rugby's appeal and Harlequins' long history as making them ideal sponsorship partners: "Our market is made up of corporations and professional people

The belief of those clubs without rich backers is that television can be their lifeline

and we think this relationship will appeal to them. This is not just a sponsorship, but a partnership in which we will help actively with the development and marketing of the club." Elsewhere voluntary structures are going. Bath is now a limited company. As one London club official says: "You can't run a club on Saturday mornings any more." But rugby's full-timers may not include many players. Moon warns that the new employer-employee relationship will impose obligations on both sides, but expects semi-professionalism to predominate in the near future. Phil de Glanville, Bath captain and an England squad member, agrees: "I wouldn't advise anyone to give up their other job. It's still too uncertain and anyway how much time can you spend training? I'd get bored if I did nothing else." So will it all end in receiverships? For some, almost certainly. Peter Williams, director of Orrell rugby club, says that in rugby league the clubs which went bust were those which paid salaries they could not afford. Michael Lord, a true conservative amid free-market liberals, argues: "Amateurism is the essence of the game. Change that and you destroy something fundamental. The game doesn't want professionalism, it doesn't need it and can't afford it." De Glanville, though far from gung-ho, disagrees: "The game will still be there and the people who make it worthwhile will still be involved." Few rugby people would disagree with the journalist who said: "I am looking forward to writing about rugby again. At present the only story is money." Like seekers after stability in Russia, he could be in for a longish wait.

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BOOKS

More evolutionary metaphors

With a slight sense of déjà vu, Clive Cookson finds this author weaving another Darwinian spell

A year ago Richard Dawkins invited readers to join him on a voyage down the River Out of Eden. Now he holds out the challenge of *Climbing Mount Improbable*. Both books offer rich new parables - if such a militant atheist as Dawkins will accept a word redolent of religion - of evolution as a cumulation of tiny genetic changes. The author is therefore still pursuing the same general theme as his ground-breaking *The Selfish Gene* (1976) and *The Blind Watchmaker* (1986).

Climbing Mount Improbable is written vividly and lucidly as its predecessors, which means that it is a first class work of popular science. Dawkins weaves another Darwinian spell. He describes, for example, how

flightless creatures grew wings, and how the eye has evolved from light-sensitive cells on at least 40 separate occasions during the history of life on earth. He even makes sense of the "almost ludicrously tortuous and subtle" co-evolution of fig trees and wasps: each species of fig has a corresponding species of miniature wasp that fertilises the flowers within its fruit.

In Dawkins's metaphor, Mount Improbable is any organism - or part of an organism such as an eye or wing - that seems both too

unlikely and too perfect to have arisen through the random processes of evolution. Such achievements of nature are sometimes cited by anti-Darwinians to support the view that some God-like designer must have a hand in their creation.

The overall message of the book is that the "towering, vertical cliffs of Mount Improbable" cannot be climbed directly. "It was Darwin's great achievement to discover the gentle gradients winding up the other side of the mountain."

Dawkins says sceptics are confused about the role played by chance in evolution. They regard

CLIMBING MOUNT IMPROBABLE
by Richard Dawkins
Viking £20, 308 pages

Darwinism as a theory of pure chance - which would be equivalent to a direct assault on the front face of Mount Improbable. In fact, the process has two parts.

The first, mutation, is indeed a matter of chance: fresh genetic variation occurs through random changes in DNA, the chemical of life. But the second part, natural selection, is quintessentially non-random - directed by the survival of the fittest mutations.

The downside of *Climbing Mount Improbable*, if you understand Darwinism and are familiar with Dawkins's work, is a slight sense of déjà vu. The parable and its details may be new but the book does not bubble with fresh ideas. Somehow Step-

hen Jay Gould, the American scientist who is Dawkins's only rival as a popular writer about evolution, manages to achieve more variety in his books.

A list of scientific bestsellers in last week's *New Scientist* magazine showed *River Out of Eden* in first place, *The Selfish Gene* third and *The Blind Watchmaker* sixth. *Climbing Mount Improbable* can only confirm the amazing dominance of Dawkins.

Last year he became Professor of Public Understanding of Science at

Oxford University, having been a reader in zoology since 1970. Now that his main official role is to write and talk about science, rather than to carry out research and teaching in zoology, we can look forward to an accelerated output of Dawkins books. That is a welcome prospect - particularly if he turns his talents to less familiar territory than evolutionary genetics.

For example, so far as I know, no one has yet written a good popular account of "developmental biology" - how genes control the growth of embryos and make all the right connections, from skin cells to the brain. This is one of the most fascinating fields of contemporary science and it would certainly benefit from the Dawkins treatment. How about it, Richard?

The enchanted life of a child virtuoso

Clement Crisp enjoys autobiographies by both Yehudi Menuhin and, below, his wife Diana

In a celebration of his 80th birthday, there comes an up-dating of Yehudi Menuhin's 1976 autobiography, *Unfinished Journey*. Menuhin is so extraordinary a figure, his life so illuminating and illuminated (in a spiritual sense), that his narrative must hold the reader fascinated. Yet it is not the musical pilgrimage of his mature career, nor his dedication to the causes of young musicians and of international understanding, that give the book cachet. These are grand ideals for which his concern is seriously expressed. What is so charming, so touching, is his account of his childhood, bright in its detail of people and places, and freshly innocent - as, marvellously, was the wunderkind.

Menuhin is a man of saintly nature as of musical sublimity. What produced the great musician from the plump little boy holding a fiddle in the early photographs; how his wise parents guided him; how his teachers (notably Georges Enesco) shaped his gift, is a unique and valuable narrative. Menuhin tells of his childhood without fuss, a quiet observer of himself, a loving observer of the world his parents made round him. He writes, also, with a felicitous clarity. For anyone seeking to know how a child prodigy was reared, and helped to grow into a superla-

tive artist, the first part of his memoir is an enchanted, enchanting story. Everything is vivid. Characters have a bloom to them - the child was surrounded by exceptional people whose every least activity caught and held his attention - and places (from San Francisco to Basel and Paris) are evoked in the clear light and with the sense of their charm

UNFINISHED JOURNEY
by Yehudi Menuhin
Methuen £20, 280 pages

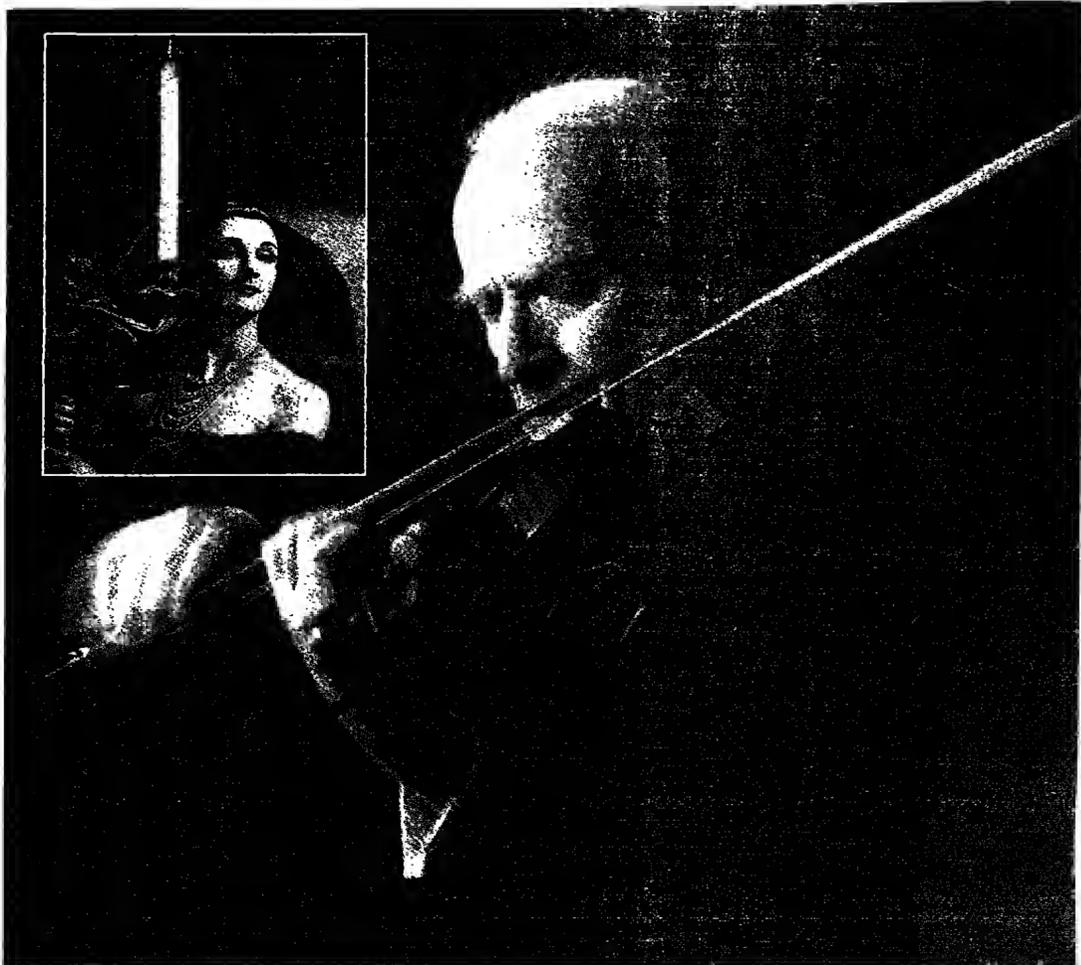
that the boy first found in them.

His progress is a story of the deepening of a miraculous gift, through contact with Enesco and Fritz Busch, among others. Protected though he was by parents, who placed the boy's genius in the safe harbour of a close family life, Menuhin is without false modesty. "I could at the age of seven or eight play the *Symphonie Espagnole* almost as well as anyone and better than most". This is not arrogance, but a statement of fact. He could not help being gifted, but typically he adds by way of explanation that "Where I was supremely blessed was in having great musicians to inspire me." This blessing he has - being Menuhin - repaid through the instruction given in his own

school for young musicians.

The special value of this book lies in Menuhin's portrait of his younger self, of his awareness of his identity, of his ancestry, and his almost fatalistic acceptance of his musical destiny. He was saved by his parents (and by his teachers) from becoming that saddest of things, the professional child prodigy. And because of the simplicity and dignity of Menuhin's temperament, he also saved himself from the terrible damage that can destroy a child virtuoso as he grows up. He is aware of his Jewishness as he is aware of the musical gift that was divinely his: both shaped and ennobled his life. His first marriage and his need to quit the securities of the parental home were his great crises. His second marriage, to Diana Gould, brought him back to his essential self.

The rest of his story is part of the history of music in our century, and is heart-stirring. Lady Menuhin's own memoir thus becomes the necessary commentary upon what Menuhin has done in the years of his maturity. But it is Menuhin's account of the love and care he knew as a boy, which made an exceptional man from a child touched by genius - a touch whose imprint can fade all too quickly - that explain a life as generous as it has been splendid.



A miraculous gift: the violinist Yehudi Menuhin and (inset) his wife Diana, a former dancer and actress, photographed by Angus McBoan

Diana Menuhin calls her memoirs "a totally subjective tale", and aptly so. These are reminiscences which read like table-talk over a long and jolly luncheon, the listener asking for "more, more" as events and characters are recalled and dissected in a bright, colloquial style with a rather 1930's ring to it.

She evokes childhood with the mixed feelings of a girl who found herself too often a victim: of her mother's and younger sister's wit of mischance and mistiming in her hopes of working for Diaghilev and Pavlova; of her own "volcanic nature". She declares

The Black Fairy who found her prince

herself "An Unfortunate Child", though her Anglo-Franco-Irish-Serbian family and ancestry was securely hank-bourgeois, and her musical mama maintained a stable of three Bechsteins as well as three children, and provided them with a delightful and grandly naval step-father.

Lady Menuhin's sense of being the pawn - unwilling; unwitting - of fate or teachers or stupid managements, is recurrent through the first, pre-Menuhin part of her story.

This charts her early years as a dancer (the tall, lovely Diana Gould) and actress, and as the witty observer of her own and other people's emotions and mishaps. She is, though, a failure *manqué*, despite the cussedness of destiny - she calls it The Black Fairy - which she feels always cheated her of opportunities to reach an artistic Olympus, for her marriage to a great musician has made Olympus her home.

From the age of nine, Diana Gould was sent to ballet class

GLIMPSE OF OLYMPUS
by Diana Menuhin
Methuen £14.99, 387 pages

with Marie Rambert, at a time when, in the late 1920s, the redoubtable Rambert was (in the words of Agnes de Mille, a fellow toiler in Rambert's hive) "Madam wasp, queen borney, vixen mother, the lady boss of Notting Hill". Rambert gave her students hell as a regular diet, mostly

for their own good. The young Miss Gould needed all the reserves of resilience she was busy storing up to do her native wit in order to cope with Rambert's barbs. (In her own memoirs, de Mille remembers such cries as "Frrreddie" - this to the young Ashton - "pull in your great bottom. You flaunt your bottom like a banner!" or "Deeanna! Do not make jokes. I am tired of your humour. I am tired of your wit. I would prefer one good arabesque to six jokes.")

"Diana's face hardens", adds de Mille. And so, we gather, did Diana's resolve.

Intruded to these put-downs, Diana Gould was to find a place as a dramatic dancer in the early 1930s, when English ballet was being made by Rambert in Notting Hill and Nioette de Valois in Islington, if not the greater rewards she hoped for. Her elegance and beauty built a career, despite the interventions of the Black Fairy, and she recalls these days in fine style. The brief

season of Balanchine's *Ballets 1933* (funded for a few weeks by Edward James as a frame for his new wife, Tilly Losch) found Diana Gould cast in *Les Valse de Beethoven* as Earth, wearing a Bovril coloured ebon with a small cairn on her head. She duly christened herself "Old Mother Manure".

Whatever the frustrations of her career, she kept a bright eye on events. Pre-war Paris, where she studied; war-time London where she danced and acted; an ENSA tour (Every

Night Something Awful said the troops who were to be entertained); all are recalled with an indomitable if slightly resigned resilience.

Then the meeting with Yehudi Menuhin and marriage, and the realisation of her destiny. Abundant happiness replaces disappointments. Her eye is still quick for the improbable and the unexpected, but there is serenity and security as well as excitement in the years of travel and home-making. We see the proper shape of a life. Diana Gould, hating with frustrated hopes, turns into Diana Menuhin: the shoe has fitted Cinderella.

Rereadings

Easy passage to India

There are many gateways to India via the bookshop. One of the most recent is David Gentleman's *India* (Hodder & Stoughton £14.95), where he recorded a tour he made in 1952. He went all over the place with his drawing-board: Delhi, the Himalayas, Rajasthan, Ellora, Ajanta, Calcutta, Madras, Karnataka, Bombay and Goa. His sketches of the main sights in each place coupled with his comments make an easy, yet excitingly exotic, read.

Turning to fiction we are perhaps spoiled for good novels about India with the likes of Seth and Rushdie or the earlier Paul Scott and E.M. Forster. But to tackle them represents quite a commitment of time

and will-power. Anyone seeking a less exacting literary route into Indian life with its unique combination of bright sunshine and sombre mysticism should try *Stories and Twenty Stories* by Satyajit Ray first published in the late 1980s and still available in Penguin.

Ray, whose name as a film-maker, writer-director of *The Chessplayers* etc. is a household word, did not write his first story until he was over 40, but after that there seems to have been no stopping him. He died in 1992.

Story-telling was in his genes. His grandfather was a children's writer who edited a children's magazine, *Sandesh*, which Ray's father, also a gifted children's writer and

illustrator, continued. The magazine was revived by Ray in 1961. He produced a version of Lear's "Jumbies" translated into Bengali for the first time, after which he wrote and illustrated stories between making all those films.

The main orientation of his stories is Calcutta and the world of the Bengali bourgeoisie, the society we meet at much greater length in Seth; but Ray is especially concerned with the plight of the little man working in a humble clerical job; someone whose fortnight's holiday on the road in an ancient Morris Minor takes him into the forest where he has an encounter with the occult in the shape of a holy man and a sacred cobra. Or - in the hilarious "Patol Babu, Film Star" - Ray turned to his own world and the sad fate of a has-been of the industry recalled for one day's location work.

Anyone who has been to India will agree that animal life is as plentiful as human, and it certainly is in these stories. Birds, reptiles and dogs have an intelligence that gives them invincible power over their handlers and worshippers. Ray roams in search of narrative quarry through the sub-continent, even as far as Tibet in a tale



about an expedition by a group of intellectuals to a remote mountain monastery that has echoes of Conan Doyle's lost world.

The comparison is not made lightly. Ray has the same mesmerizing magazine-writer's power over his captive reader, the same gift for an irresistibly enticing build-up to a mystery, the same deft way with detail, and I have to admit, at times the same descent into banality when the mystery is finally solved. But like Conan Doyle he survives, nay demands, rereading.

Anthony Curtis

Fiction / Brian Martin

True to the life

HIGH LATITUDES
by James Buchan
Harvill £14.99, 192 pages

LOVE AGAIN
by Doris Lessing
Flamingo £13.99, 343 pages

KRAVEN IMAGES
by Alan Isler
Cape £14.99, 288 pages

THE TOUCH
by Julie Myerson
Penguin £12.99, 316 pages

IN THE CUT
by Susanna Moore
Penguin £12.99, 180 pages

The Whitbread judges, who some years ago gave James Buchan their First Novel Award, spotted a major talent. Subsequently *Heart's Journey in Winter*, about spying during the Cold War, was acclaimed. *High Latitudes* should earn greater applause. It is set in the late 1980s at the time of the Black Monday stock market crash and follows the fortune of a thirty-something power-executive, Jane Haddon, at the top of her career.

Faced with the nation's commercial and industrial implosion, she is forced to regain the world of her aristocrat husband whom she divorced after a short marriage. She finds in that upper reach of society "dangers and hardships inseparable with navigation at High Latitudes" - which her husband experienced in the Antarctic whilst escaping from his vapid second wife and from the uncontrollable rage he feels towards Jane, "that junkie bitch and daughter of a whore".

Much of Jane Haddon's world is easily recognisable: a friend works at the merchant bank of S.L. Brimberg; one of her factories supplies underwear to the country's most successful retailer Reuben and Style, known as R and S. Much good advice is given: invest in tobacco, "you make it for a penny, sell it for a dollar, and it's addictive." The mystery of short-selling is explained.

Buchan is the master of enigma, which risks obscurity, but *High Latitudes* is less

obscure than *Heart's Journey in Winter*. He tells his story by shifts in narrative position, often by indirect, retrospective narration. He will confide in the reader, but sometimes leave baffling loose ends which later are neatly tied up. His writing is subtle, allusive, designed to divert "a few of my countrymen and women... to reconcile the bickering sexes." He succeeds splendidly.

So does Doris Lessing. It is said that all good novels are autobiographical, embellished by the imagination: *Love Again* concerns the effects of love on a late middle-aged, almost elderly woman, Sara Durheim is a theatre producer who falls in love successively with two much younger men. It is a profoundly reflective novel, an "anatomy of love", which shows the fallibility of that confidence of age: "but I've reached... the evenly lit unproblematical uplands where there are no surprises".

As always Doris Lessing writes about fundamental themes which influence the way we live. Like Iris Murdoch she has deep intelligence, but the substance of her writing is more accessible than Mur-

doch's. She has great humanity and powerful common sense; "beware of condemning people, or watch out for yourself, there is a hard law that says you must suffer what you despise"; and "old women by the thousand - probably by the million - are in love and keep quiet about it." She observes, "There is a terrible arrogance that goes with physical attractiveness and far from criticising it,

we even admire it." Constantly her writing is illuminated by quotations from poets and pop songs, and by allusions to philosphobias about love by Stendhal, Goethe and Proust.

Lessing's novels contribute seriously to the novel genre. *Kraven Images* is of a lesser order. Alan Isler is a farcure: in his first chapter, a dog and bitch locked in *Paradise* fall into an open grave at a Jewish funeral. His hero is a fraudulent lecturer in English at a New York college who is resigned to the limits of his students' study of *King Lear*: "It was enough, surely, if by the end of term they all agreed on a common spelling of the mad king's name."

There are many memorable lines: one of his characters suffers in her way of talking "the linguistic stigmata of her generation... less blemishes than beauty marks." *Kraven Images* is an enjoyable comic entertainment.

The Touch and *In the Cut* are of an even lower order. There is a gruesome fascination in finishing Julie Myerson's novel: readers want to discover what happens to her central character, an old, deranged, demented, religious crank; and occasionally in this macabre story there are qualities of writing and atmosphere which bring to mind William Trevor's best work. But *In the Cut* it is a crude, violent, pornographic piece of self-indulgence, which, by contrast, equals the understanding, compassion and intelligence of Lessing's and Buchan's novels.

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ARTS



Art of a high order: 'The Raffenberg Family', 1830, by Wilhelm Bendz, who was to die tragically young at the age of 28

Idyllic calm of Denmark

William Packer admires the work of two artists which epitomises the country's Golden Age

In Denmark in the early years of the 19th century there emerged a distinctive national school of painting which has long been known as Denmark's Golden Age. For while there have been notable Danish painters since, from Kroyer to Nolde, only in that first period was the character of the work so particular to Denmark. Cast in the very clearest light and in sharpest focus, it is charged with an almost febrile intensity of mood and atmosphere, an idyllic calm fixed in the eye and the mind for ever.

Two painters of this period are now celebrated by major exhibitions at Copenhagen. Christen Kobke, born in 1810 and dead at 38, is by now widely appreciated outside Denmark as the world at last begins to accept the quality and importance of national schools, and that painting in

the 19th century did not begin and end at Paris. Wilhelm Bendz, born in 1804 but dead even sooner at 28, is as yet little known, even in Denmark.

And yet his small body of work - mostly portraits and figure compositions, along with a few small landscape studies made on his fatal journey into Italy in 1832 - shows us that had he not been so abruptly taken off by typhoid, Bendz would have established himself as at least the equal of any of his contemporaries.

He was obviously admired by his fellows, and in 1830 the young Kobke, still a student at the Academy, gives us a clear hint of the man, with his curly hair and frank, open, half-smiling face. This tiny portrait was borrowed by other painters to copy, and Kobke himself made a second version some years later. One is from the Hirschsprung Collection itself, the

other from the National Gallery in London, and the jury is still out as to which is which. I suspect the former was the first.

Bendz, like Kobke, had studied at the Copenhagen Academy, where C.W. Eckersberg was master. Eckersberg had brought back from Paris, where he had worked under David, an insistence on the prime importance of study direct from nature. For Bendz this meant not just the life model, but the life of the studio itself. It is not the conventional neo-classical composition he put in for the Academy's prize medal of 1825, but his painting of the life class itself the following year that is remarkable.

A student on a ladder lights the lamps for the evening class; the kneeling model, brightly lit, supports himself by the looped rope overhead; and ranged in tiers in the sur-

rounding gloom the students work away as the teacher comes round. It is a scene familiar to anyone who was ever an art student these 250 years past, or would have been until 30 years ago.

Indeed the artist in his studio amid his working clutter, or at leisure at a smoking party or beer cellar, supplied Bendz's true and constant theme. He was a master, too, of the domestic portrait and conversation piece - the girl sewing at the table, the family at home, the pictures on the wall, the door open to the room beyond. Its quality as art apart, his work is of a wonderful documentary interest. But it is art, and of a high order - even the bread-and-butter portraits of men in stiff, high coats and collars, and women with their hair in its improbable coiffures, so touchingly immediate and real. This is an important revival.

Christen Kobke, like Bendz, found himself with remarkable speed under Eckersberg's guidance, both as portrait and landscape painter. The portraits are a surprise, again small in scale but of a wonderful conviction in statement and presence. But it was the local scene that Kobke made his own, in particular the ramparts and citadel of Copenhagen where he lived, with his views out across the sound and along the bay.

But those pink towers of Frederiksberg Castle and the bridge across the moat make a familiar image, and the jetty too, with its sailing party, and the furled sail around the mast, tall and pale against the evening sky. The smaller studies and sketches are the revelation. If we speak of the particular character of Golden Age painting such as that of Kobke, it lies in that clarity of vision, radical simplicity of design, and metaphysical mood of calm that inform the finished works. But what the rapid studies in oil do - the clouds, the rickety jetty and the reeds at the water's edge - is to tie the work into the broader European development of plein-air painting at about that time.

Thomas Jones had been working outside in Naples, Constable in England and Pierre de Louveciennes in Rome; the young Corot was in Italy, and Kobke would go to Capri in the early 1840s. Something clearly was in the air, and its sense serves only to

A passion for collecting

Susan Moore canvasses a cross-section of London-based dealers for advice to first-time buyers

The urge to collect something - be it stamps, biscuit tins, Van Goghs or first editions of the Vulgate Bible - seems latent in most of us. In the case of real collectors, enthusiasm rapidly turns into obsession. For the rest, doing the rounds of the galleries or "antiquing" is a pleasurable recreation, maybe even a domestic chore.

In the good old days, of course, it mattered less if you had limited means. I call to witness the heroic example of James Hooper, an assistant sanitary inspector who at the height of his career earned no more than £6 a week but amassed one of the great collections of primitive art. Christie's sold it in five sales from 1976 to 1980 for £2m.

Whether fuelled by passion, acquisitiveness, the desire to order and classify, or by social ambition, today's aspiring collector should pause a moment to reflect. Does it matter if what you want to collect is only rarely available on the market? Putting together any kind of significant group of, say, gold-ground Italian panel paintings might take a lifetime. That is why they are relatively inexpensive.

What will your hard-earned disposable income buy for you? Perhaps more important, given the addictive bite of the collecting bug, how often would you need to bring home a new prize? Buying for investment seems a miserable notion, but it is reasonable to buy prudently or search off the beaten track for objects not hotly contested in the salerooms. Committed collectors have always been way ahead of the market.

Those who feel they would like to collect something but are not quite sure what, could follow the lead of many American collectors who extend their professional interests into the art market and on to the walls of their homes.

A successful architect might collect architectural drawings, for instance - a producer, costume or set designs for theatrical or ceremonial events. There is no doubt that the more time and energy invested in the project, the more pleasure it will bring. It is not uncommon for casual buyers to turn into the most hard-nosed and highly knowledgeable of collectors.

What the newcomer can be more or less guaranteed is a warm response from any dealer or auction-house expert.

becoming a rare commodity, and the absence of a new generation keen to learn is lamented by many among the trade. I canvassed a cross-section of London-based dealers for their advice to those taking their first tentative steps into the art market.

Fraser Nahum, 19th and 20th century British art: "The advice I give I try to follow myself. I like to buy good works of art rather than the decorative. I like to buy against the market and not on

great value but it has to have merit.

"There are so many neglected aspects of European decorative art. If in the last 20 years I had an enthusiastic collector of European lacquer, say, we could have created the world's greatest collection with no trouble at all."

Jay Jopling, White Cube: "I tell people to educate themselves about what they are looking at, and in the immediate history of contemporary art, in order to familiarise themselves with the context of what is being produced now. The criteria for buying are no different from those I use when deciding to show an artist. Does a work of art engage me, stay with me in my mind, and change the way I look at familiar things?"

"A collector is a very special species," says Oriental art dealer Giuseppe Rakemzi. "I have no wish to possess, it is enough for me to look at something in a museum. But a collector must possess. I try to channel that energy into what is the best thing available, but only when I am sure that the client knows exactly what he wants."

Clovis Whitfield, Old Master painting: "Buying 18th, 17th and 18th century paintings requires a certain empathy with the period, curiosity and courage. Open your eyes to things other than what you see in books or exhibitions. See as much as you can of what is to be had on the market, and have faith in what you like."

"Do a lot of looking, a lot of research and try to form your own opinions," says Caroline Lumley, Lumley Gazelet. "In the area of prints, the condition is very important and the borderline between reproduction and original print is very shady. If you are not confident about telling the difference yourself, go to a reputable dealer."

Rainer Zietz, sculpture and works of art: "I do not believe in recipes. If someone really wants to collect, they will find their way through. It is as simple as that."

What the newcomer can be guaranteed is a warm response from any dealer or auction-house expert

There are always two questions to ask, is it good enough and can I afford it? The other rule is persistence. The buyer must have the discipline to wait for the right quality work to come up, and then have the courage to pay the right price - something determined by the rank, quality, rarity and future rarity of a picture. For those starting at the bottom end of the market, there are still so many significant things which are grossly out of fashion and wonderfully cheap.

"Go slowly, keep cool," is the advice of furniture and works of art dealer Alan Rubin, Felham Galleries. "Serious collecting needs time to develop. It usually begins in a serendipitous way with people buying something and then discovering it interests them. Try to find a focus where every small addition to the collection illuminates the other pieces. It does not have to be a collection in which everything has to be of

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ARTS



Father Gregory Wilkins, Kotham, Nottinghamshire, England, 1963: Arnold's polite, compassionate portraits are a world away from the social and political tensions of the day

A too-sympathetic lens

Richard McClure longs for some cynicism to creep in to the work of Eve Arnold

When the 1960s broke out in its rash of trouble-spots, photojournalists worth their salt headed for Saigon or Prague. Not Eve Arnold. Instead, she could be found on the Wiltshire film set of Dr Dolittle photographing Rex Harrison surrounded by lampas or watching the Queen inspect northern dustbins during Operation Springclean.

front of her medium. In 1961, as her more experimental colleagues took up themes of urban dislocation by exploring America's "social landscape", she left the US and settled in Mayfair where she began to document the more genteel landscape of her adopted country.

"I think it is essential that wars are covered - it is central to our understanding of the period we live in - but I'm not sure if it is right for me... Even now I don't like to think about South Africa. It is too ugly, too horrible, too vile."

mental studies of a Russian couple in the process of divorcing, or a defeated Havana prostitute slumped across a bar. Her formal colour portrait in which three wounded US Marines stare grimly at her lens is as effective a critique of war as any brazen image from the front.

Arnold's civility has worked in her favour, gaining her access to the closed societies of a Vatican convent and a Middle Eastern harem. The same unflinching courtesy also accounts for the weaknesses in her work. At times Arnold shows too much deference to her subjects, like a guest anxious to please her host. This reverence blunts her craft.

Her distaste for life's brutalities springs from a belief that photography can be an ill-mannered intrusion

camp with Allied troops in 1945. George Rodger, one of Magnum's founders, vowed never to cover a war again. Yet more than most, Arnold subscribes to Henri Cartier-Bresson's credo that "at the moment of death and at the moment of love, one should turn away". The result is a compassionate eye which is most affecting in her empathetic and steadfastly unsenti-

mental studies of a Russian couple in the process of divorcing, or a defeated Havana prostitute slumped across a bar. Her formal colour portrait in which three wounded US Marines stare grimly at her lens is as effective a critique of war as any brazen image from the front.

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Arnold's distaste for life's brutalities springs from a belief that photography can be an ill-mannered intrusion. When an IRA bomb exploded in a restaurant near her home she refused requests to photograph the injured victims. In the book which accompanies this exhibition, Arnold writes:

Of innocence and experience

Alastair Macaulay on a staging that is true to the spirit of Dennis Potter's take on childhood

The world of the late Dennis Potter, at its most characteristic, is at once entertaining and disquieting: intensely ironic and highly complex to experience. The great achievement of Patrick Marber's staging - at the National Theatre - of Blue Remembered Hills is that, from its first moments, it plunges us straight into that uniquely Potterish mental climate and makes us enjoy Potter again as a serious, peculiar and witty dramatist.

scenic coup de theatre. We see this rolling landscape against its blue sky; we take in its artificial quality; and then up pops the head of a "boy" over the top of this box set, outside this little world and peering in. He bites an apple (the gesture that shattered Eden), and his noise is amplified, to sound like an axe cleaving through wood. Hearing an aeroplane over-head, he "being" a boy, runs up and down the set, "being" an aeroplane.

childhood is played as an adult re-creation of a lost condition; history is overlapped with popular entertainment; nostalgia is blended with cynicism.

never a problem for long. The most perfect performances are those of Steve Coogan as Willie and Geraldine Somerville as Angela. Watching them, we are in two states of experience at the same time: immature and mature, outside and Lilliputian. And, as the most pathetic character of all, Donald, Robert Glenister excellently shows you the wretched "bullyability" of this victim and the anguished grief he has for his missing father.

At the Lyttelton Theatre, South Bank, London SE1.

Television / Christopher Dunkley Music on the brain

The three part series Music And The Mind which begins on Channel 4 tomorrow evening is simultaneously one of the most fascinating and promising series ever made about an arts subject and one of the most irritating and frustrating.

He begins by trying to show that music is innate in all of us: how Stephen Wade, after a massive stroke, cannot speak, read or write yet can still compose music; how an elderly confused patient "reacts" to a familiar tune; how Elizabeth Varlow plays the viola with the LSO though she is profoundly deaf; how a French patient who cannot tell whether two simple sequences of three notes are the same or different can still tell accurately whether music is sad or happy.

it when he is told that all over the world musical styles employ intervals that seem to be closely associated with the human pulse. But in the end he manages to avoid it again. His chief preoccupation, it turns out, is the sort of investigation that allows you to make actual measurements of something. For instance, blood flow measured in the brain of a musician as he plays Bach on a keyboard, and then plays scales. It turns out that there is more activity in areas of the brain associated with expressiveness and emotion during the Bach than during the scales. But, once again, is that not what most people would assume?

Radio/Martin Hoyle An enthusiast's junket

Tonight, if you will excuse the expression, is the night. Radio 3 grows up or, if you will, gives in. Either way, it stays up all night. With Through the Night, starting at 1am, the station begins its 24-hour schedule. This week Smetana's cycle Ma Vlast provides a thread, a serial if you like, starting with Vysehrad tonight - or rather at five tomorrow morning.

Judi Dench recalls skipping classes at Central to hear music rehearsals at the Albert Hall, and John Peel brings a predictably dreary note of grim lethargy to the proceedings, meticulously hiding his public school accent to warn us that he might shout "anyone for a pint?" in a reflective moment of Bruckner. Ho-Ho, John. Not really?

glories of Britain. An embarrassing miscalculation, however, has been the series A Resting Fellow on Radio 4. William Donaldson is one of those people most of us have at the most only half heard of, so layers of irony and self-parody are wasted. The tone of his exploration of potential retirement homes from Cornwall to Marbella has veered between ostensible rudeness and deadpan self-satire.

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Anne Spackman on retreats for Europe's tired executives

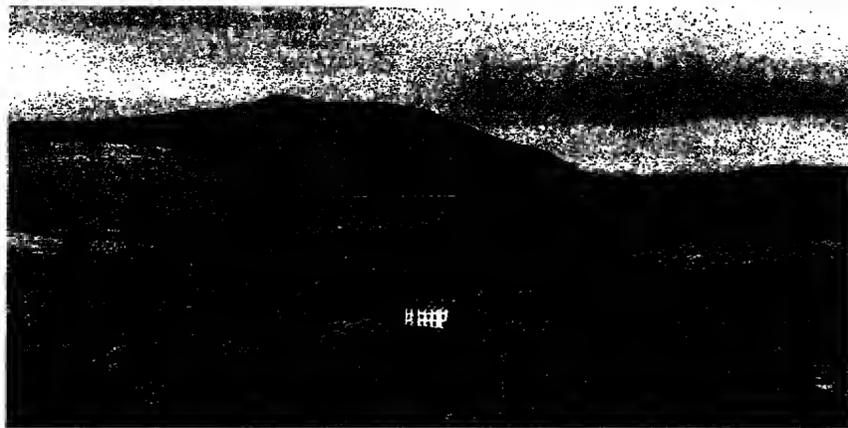
Like applicants in a lonely hearts column, growing numbers of the rich and successful are searching for their dream home. "Tired north European executive seeks idyllic place for weekends and holidays", their advertisement might say. "Any location considered. Money no object."

What these people want is a beautiful house in a wonderful setting, within reach of an airport but out of reach of the rest of modern life. Whether it is in Ireland or Scotland - or France, for those who like sunshine - hardly matters, as long as the setting is right.

As the demands of working life have increased, so has the value of a place where work can be left behind. To find that kind of isolation in the right setting means searching beyond the reach of the most determined commuter. That rules out most of England, which may explain why the English have been joining the Dutch and Germans in increasing numbers in Ireland.

Two years ago, Knight Frank calculated that 80 per cent of its buyers in Ireland were from northern Europe with 20 per cent from the UK. Now, the figures are nearer 50:50.

Bertie Ross, of Savills, has a country house in Scotland. "I think we all suffer from an information overload," he says. "It is getting more and more difficult to find places to get away from that pressure. There is something very special about a complete change of environment. You have a different philosophy, a differ-



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ent social structure, a whole character of people who regard the middle of the world as somewhere near where they are, rather than London.

"If you arrive in Ireland the whole pace of life slows. It doesn't matter whether you have a high profile at work. You don't have to dress up and behave like someone important. People are far more interested in whether or not you can fish. You can have that kind of lifestyle in Ireland and Scotland because there are plenty of square miles per head."

For many overseas buyers Scotland and Ireland are interchangeable. Andrew Hay, of Knight Frank, has buyers from northern Europe and the Far East who say they want an island or a beautiful country house in parkland. "They view Ireland and Scotland as one market," he says.

The same northern Europeans dominate the market for country properties in France. In areas such as Gascony and the Tarn, accessible from Toulouse or Nice airports, house-hunters are likely to be German, Dutch, British or Scandinavian. As everywhere, the British tend to buy the places which need renovation whereas everyone else prefers to buy "ready to go".

Gerald Fox, a banker from Wimbledon, bought a run-down chateau near Castres in 1989. The pink-washed house, with shuttered windows and a tower, had 5 acres of grounds which he set about landscaping, adding a swimming pool. "We couldn't wait to get down to see how the

work was progressing," he says. "It was one of the great pleasures of owning it."

The family bought in the Tarn because it was an area they knew from their holidays and because Fox's wife, Agnes, is half-French. But the other reason they bought was for the lifestyle. "Bouyrol is an unbelievable property to own," he said. "I couldn't in my wildest dreams have thought of buying somewhere like that in England. You get the space, the land and the large rooms. In spring we sit on the terrace and look out over the most wonderful views I've ever seen."

All this in south-west France costs around £300,000. Bouyrol, being sold by Hamptons International, is priced at around £280,000. Figures from Savills Research suggests you would have to spend at least £500,000 to buy anything similar in southern England.

Prices in Scotland and Ireland are similar to those in south-west France. Savills is asking for offers of more than £285,000 for Achany House near Lairg in Sutherland. The baronial property, with four reception rooms, six principal bedrooms and four bathrooms, is set in 9 acres 48 miles from Inverness Airport.

In Ireland, Knight Frank and Jackson-Stops McCabe are asking £300,000 for Kilmokea in County Wexford. The Georgian house in 20 acres has seven bedrooms, four reception rooms and spectacular gardens. It is about 15 miles from Waterford Airport.

If Kilmokea were nearer Cork, Shannon or Dublin airports, it would probably cost at

On The Move Confident start

Now that boom has become a four-letter word in the property business, agents are instead describing the market this spring as buoyant, confident or any other appropriately measured adjective.

The country house market is at last feeling the ripples from London, with many big houses being sold in the last few weeks. Savills has found buyers for more than £20m worth of property, including £2.5m for Purley Hall at Pangbourne in Berkshire, £3.5m for Larkenshaw at Chobham in Surrey and at £2.5m The Wick at Richmond Hill. All have gone to UK purchasers. The largest deal, worth £13m, involves a sale of property and land near Windsor.

In central London, prime values have begun to rise after eight months of stability. Houses in the best locations rose by around 4 per cent in the first quarter, while flat prices remained static, giving an overall rise of 1.1 per cent, according to Savills Research. It says the reason for the discrepancy is the increased supply of new flats coming on to the market.

The mood of cautious optimism extends to the mass market. Members of the Royal Institution of Chartered Surveyors report the strongest housing market for two years.

More than 30 per cent say prices are rising slightly, while just 8 per cent record slight falls. This compares with figures of 5 and 80 per cent respectively reported last July.

The improvement has shown through in nine months of successive rises in the Halifax house price index. This, in turn, has had an impact on negative equity. In the first three months of the year the number of affected households fell below 1m for the first time since 1982, according to Rob Thomas of UBS.

However, this still leaves 964,000 sufferers, plus around 2m more with less than 25,000 of equity in their property.

That means around 30 per cent of mortgaged households cannot afford to move without the help of special schemes.

In the past two years the market has been active in the first quarter, only to fade at Easter, its traditional high season. This year it looks different. The country house market in particular has grown stronger over the past month. "This is the best market we have had for many years," says Ian Stewart of Savills.

The London lettings market is also looking up. Citigroup London Residential, now bearing the Hamptons name since the merger of the two businesses in February, reports an increase in tenancies of 25 per cent in the first quarter of this year compared with the same period in 1995.

Penny Parr-Head, the lettings director, said the second half of 1995 saw a slow-down in prime central London, with tenants looking for cheaper rents further out. This year has seen the return of the big corporate spenders.

One-third of the new tenancies created in March were at more than £1,000 a week, compared with 17 per cent in the previous quarter. Last week there were four inquiries from tenants looking to pay more than £5,000 a week to rent a London house.

Whitton Place, with its mock Regency white facade, looks like a house in Beverly Hills, but is, in fact, in Tongdean Road, Hove, East Sussex. The house has been remodelled into a Californian-style home, complete with palm trees around the swimming pool. It has a Koi pool with waterfall, a bedroom with a revolving ceiling and a shower concealed in a chandelier. There are five bedroom suites, five reception rooms and a tennis court. Hamptons in Farnham (01403-211766) is asking for offers in the region of £1.5m.

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The editorial topics not only cover the home market but also international, and include: The Cost of Urban Living Around the World, Horse Properties, South Africa, The Art of Negotiation, Cheltenham and Bath etc.

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Weekend FT

While surfing on the Internet, you might well spot a property or two for sale. These could be on a variety of web sites set up either independently by estate agents or by one of the companies advertising homes.

At present, there are not enough agencies or properties on the Internet for it to be that effective, but it has to start somewhere. "I'm pretty keen and we want to be ahead of the game," says Christopher Dollard, head of marketing for Strutt & Parker, "but the sites need to be made more user-friendly. However, we intend to be using one or other of them, before long."

Sceptics say that it will take at least 10 years for the Internet to be a household tool, but if you think that many of us use our fax and answering machine - people who said they would never use either only a few years ago - then that is likely sooner rather than later.

The Internet has more than 40m users worldwide, of whom 2m are in the UK. More estate agents, encouraged by companies selling their internet services, are trying to decide whether it is better to get in at the beginning, or adopt a wait-and-see attitude.

John Young, of agents Humbers, says the company will use the Internet - in the fullness of time. "When all the buying public have got a computer, they will do their initial househunting on the telephone rather than wasting shoe-leather. I look forward to it."

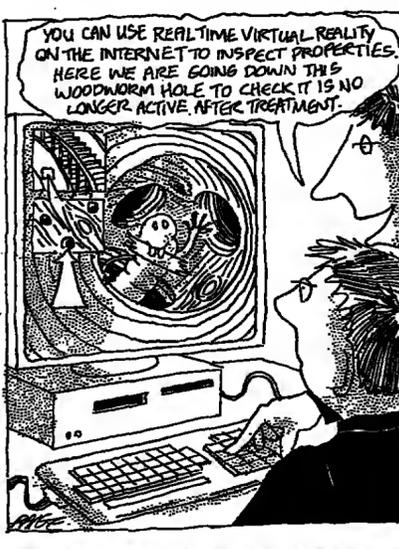
Individuals are also beginning to put their properties on the Net. The outlay is small compared with a full-page advertisement in a glossy magazine, so it does not hurt the pocket very much if there is no response.

Ruth and Gordon Humphrey put their house, Hough Hole House in Cheshire, on the Prestige British Properties register as well as with their local agents, Gascoine Holman. It sold, through someone seeing it on the Net, within eight weeks. "It was such an unusual house that it had a limited market and we felt we needed to spread the promulgation of it a bit wider than usual," says Humphrey.

Prestige British Properties (International), (01935-881992; http://www.zynet.co.uk/ukhomes) has been on the Internet for about a year and its register of properties has risen to more than 700. This includes homes in all parts of the country and overseas and the service is accessed by users around the world.

Surfing the Net for the right house

Mary Wilson on how computers can make searches easier



Peter Callaghan, registrar of the company, says: "Someone phoned up from Singapore about a house they had seen for sale in Dorset. They subsequently placed a house of theirs in New Zealand, which they wished to sell, on the property directory. I reckon that out of 1,500 weekly inquiries, about 25 per cent convert to sales."

Both individuals and estate agents use the service and it is cheap compared with other sites. It costs £25 to register a property, plus £25 per photograph, which remains on the Net until the property is sold.

A new product was launched on the net in February by Euro-Property Network, which has a site for selling property using quick time virtual reality. This means that once a user has the site on screen, he

can not only look at static pictures of a house but, by using the computer mouse, can move around the inside of chosen rooms to get a feel of the property.

This is achieved by a digital camera taking many pictures moving gradually around the room which are then joined together and merged by computer so that it looks like an almost perfect moving picture. Sometimes the perspectives become slightly unreal, but the pictures are clear and sharp.

Anthony Dunkley of Euro-Property Network (0171-258 3999; http://www.europroperty-net.com/epn/) says: "We are the first property dedicated site with quick time virtual reality (QTVR). It is good for high-calibre properties which could sell in the international market

and also house builders, several of which have already shown considerable interest."

The charges are between £50 to £100 per property per month for static shots and sales particulars. The QTVR pictures cost from £1,000, depending on how much is photographed.

"I expect the site to be used by estate agents as a complementary marketing tool. For example, instead of having a video made which has to be copied every time they want to send it out, once all the photography has been done for our service that is it," says Dunkley.

He has been selling property in Italy, where he lives, for the past 10 years and saw new technology as a welcome adjunct to conventional marketing methods. He has properties for sale in England, Italy, Spain, Cyprus and Greece with agents such as Hamptons, Savills and Stern Studios also talking to him about possible use.

Yet another Internet service, netEstate (0171-584 2184; http://netestate.dsres.com), was launched in June last year. This is open only to estate agents and Marco Bernabini, one of the directors, has discovered that most are reluctant, as yet, to use the Internet. "But, I think, this year should be the year they make their minds up," he says.

Chestertons International is one of the agents which has used the service and, so far, finds that rental properties work better than those for sale. "We get inquiries every day through E-mail from all over the world for properties to let," says Berlocchi.

The service gives detailed particulars of properties with pictures and street maps, which you search by filling in a detailed form. This costs an agent £20 per property, and it is up to them to let netEstate know if it is sold or let.

The search programme is intelligent enough to get close to what you want. If it does not have the exact specifications it will come up with something similar. It also gives detailed information on mortgages, a mortgage calculator and the legal side of home-buying.

Property finding on the Internet is in its infancy, but it is growing up fast. Charles Philpot, of Savills, which has its own web site, says: "Eventually the Internet will offer purchasers the ability to narrow down the options by looking at all the rooms on screen and interrogating the system. This will mean they will have to see fewer properties in actuality to make their final choice."

FOOD AND DRINK

The pick of the 1995 vintage

Edmund Penning-Rowse thinks the success of last year's crop is assured

The success of the 1995 red Bordeaux vintage was assured before a grape was picked. The prime characteristic was *précocité*, according to the annual post-vintage reports of Professors Ribereau-Gayon and Gumbertau, the heads of the Oenological faculty at Bordeaux university. It was a mild winter with plenty of rain in January and February. The early spring was warm and dry and the budding was early. Some April frosts had an effect in various districts but the mid-flowering took place on June 4, 10 days earlier than average. There was little *couleur* (failure to set fruit). The three summer months were very hot, with 67 days having a temperature of more than 25°C (78°F), compared with an average 47 days; and 34 days of over 30°C (86°F)

against an average of 15. The difference between 1994 and 1995 was that last year the Cabernet Sauvignons were ripe, which they were not in the previous year. Rain fell throughout the region between September 6 and 19, followed by a fortnight of good weather. Growers who panicked, and picked between the downpours, made less good wine than those who took the risk and picked from the 18th onwards. The hard-stressed grapes welcomed the rain rather than being diluted by it. It is too early to slot 1995 into its historic level, but one broker suggested that 30 per cent of the yield was outstanding, 50 per cent was a good average and 20 per cent disappointing; certainly the best vintage since 1990, but perhaps not as good as that year. The colour is very deep, the

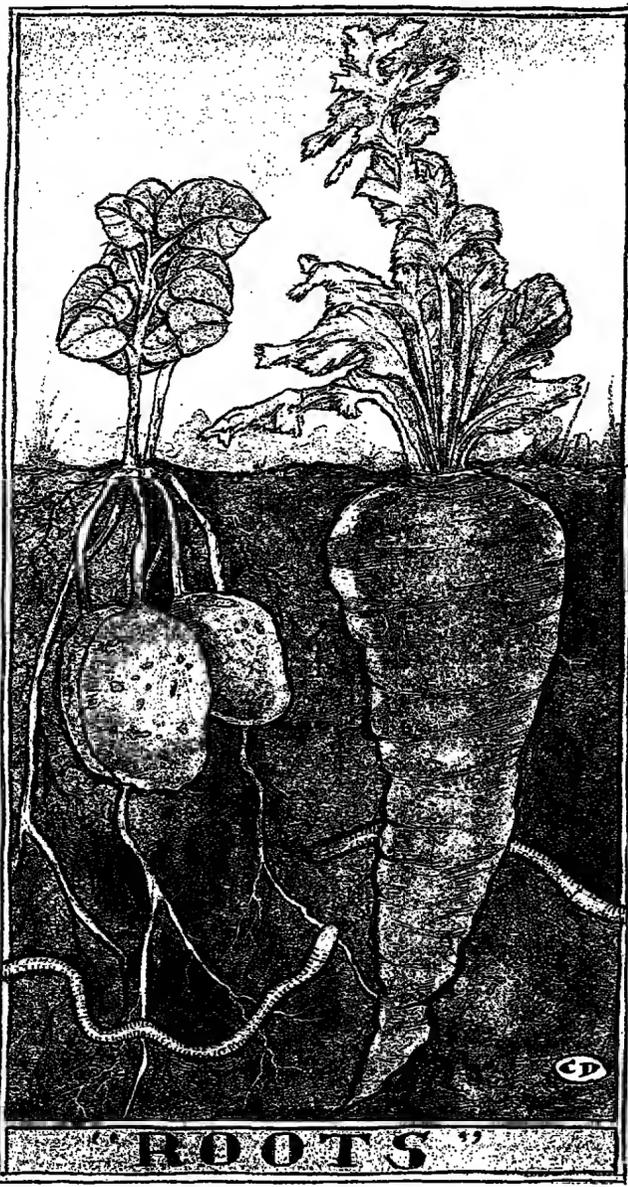
aromas often still closed but promising, and the flavour well-balanced, with the tannins ripe. I attended the *Union des Grands Crus* tastings for the trade, which preceded those for journalists, and this enabled me to visit seven first-growths as well as Ducru-Beaucailou, Cos-d'Estournel and La Mission-Haut-Brion, which are not members of the *Union*. Léoville las Cases has not opened its cellars for tastings. I have indicated here (see box) those wines that attracted me, and marked with a star those which appeared to be particularly successful. My selection, out of more than 100 tasted, is related to varying levels of class and quality. In each district the first-growths are placed first. My favourite first-growths are Latour, for its strength and power, and Margaux for its

finesse and elegance. The Pétrus and J.P. Moueix properties are not members of the *Union* and I was unable to taste them. Many prices have not come out so far. However, three first-growths have appeared - Haut-Brion, Margaux and Mouton Rothschild - at what was a record price in 1989, FF230 a bottle. Initially they are also offering a smaller proportion of their crop than usual and will soon follow with a second trache at higher prices. Those contemplating buying the first-growths must consider a duty-paid/delivered figure of around £600 a case. Moreover a number of châteaux have imposed a minimum resale price on the Bordeaux merchants: on Haut Brion, FF260. Second-growths are likely to be as high as FF120 ex-cellars, but others

may be less demanding. In general the prices are likely to be 10 per cent to 15 per cent higher than for the 1994s, but some will be higher still, such as Haut-Brion. The 1995 vintage is certainly one to buy, but not one for those seeking a profitable investment for the future. But those who have not yet acquired the good, much cheaper 1994s, should not omit to do so. There will be great demand from the US and Japan but Bordeaux rewards those who support them regularly, including the UK. The US and east Asian markets have bought little since the 1990 vintage. Further, if the three-year-old pattern of hot summers continues, with variable vintage-timings rains, we may find that we are in a cycle of fine years, in which case opening prices may well fall.

Edmund Penning-Rowse's 1995 selection

MEDOC Bas-Medoc La Tour de By Haut-Medoc Beaumont Cantenot Couliran Dauzac Moulis Furcas-Dupré Furcas-Horrien Poujeaux Margaux Ch. Margaux Angludet Malescasse Malescot St Euphrasy Mcbrison Palme Pavillon Rouge de Ch Margaux Rausan-Ségla Siran St Julien Ducru-Beaucailou Largou Léoville-Barton Léoville-Poyferre Pauillac Lafite Les Forts de Latour Lafite Carnaudes-de-Lafite	Mouton Rothschild d'Armailhacq Grand-Puy-Lacoste Haut-Batailly Lynch-Bages Pichon-Longueville Pichon-Comtesse-de-Lalande Pauillac (de Latour) Portet-Caneil St Estéphe Cos-d'Estournel Lafite-Rochet Ormas-de-Pez Phélan-Ségur ST EMILION AND POMEROL Ausone Cheval Blanc Belestard-le-Tonnelle Canon Cap de Mourin Ches-Fourcet La Dominique Figeac Grand-Mayne Lamandé Larcis-Ducasse Troplong-Mondot Trotteville La Consolante La Cabane L'Évangile Gazin	Nenin Petit-Village Vieux-Ch.-Céran RED AND WHITE GRAVES Ch. Haut-Brion Batailly (of Haut-Brion) Carbonnieux Dom. de Chevalier Fieuzat Haut-Bailly Pape-Clément La Mission-Haut-Brion Smith-Haut-Lafite Ch. Haut-Brion blanc Carbonnieux La Louvière Olivier Pape Clément blanc Smith-Haut-Lafite blanc SAUTERNES AND BARSAC Ch. d'Arche Climens Coutet Dohy-Daëne Dohy-Vadieres de Mélo Nairac Rayne-Vigneau Sigales-Rabaud
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The Cinderella vegetables

Will you bear with me or Pat and Tony Archer, the organic farmers on BBC Radio 4's everyday story of country folk? They will surely be hurrying to talk about it and to give it their support, just as soon as they have sorted out their problems with the raspberry yogurt. "It" is The Vegetable Challenge, a campaign spearheaded by the Guild of Food Writers that aims to create greater awareness about the importance of vegetables. To this end a conference is planned for May 21 at the Savoy Hotel, London. The occasion brings together, for the first time, interested parties across the spectrum. They will consider and discuss the main political, economic and social issues involved in the production, selling and consumption of fresh vegetables in Britain - and begin a collective effort to find a better way forward. Every vegetable is vital to good health, and we are advised to eat more of them. Yet I am told that government support for those who grow and promote vegetables is virtually nil. Horticulture remains the one unexploited area of British agriculture that could directly benefit the nation. Only about 10 per cent of the country is devoted to horticulture and this acreage is dwindling. The meat and wheat farming lobbies are stronger. They might be described as the ugly sisters to horticulture's poor Cinderella. The vegetable industry carries no weight; its lobby has little voice. This could change after May 21. Ultimately, as consumers, we hold the key to our own future. Nothing now is done except in the name of consumer demand. Whether the UK has a thriving vegetable sector offering fresh, locally grown produce in season, or whether people settle for novelty numbers brought in from all over the world; whether Britons enjoy the biodiversity of varieties that boast individual flavour and texture, or whether they succumb to a

diet of F1 hybrids bred for high yield, easy cultivation and storage. It is all up to the consumer. Tomatoes serve to illustrate the point. So much fuss has been made in recent years about the lack of flavour in shop tomatoes that the trend is starting to be reversed. But at what cost? UK consumers are now in the ludicrous position of being asked to pay a premium price for tomatoes "ripened on the vine" and "grown for flavour". criteria one might reasonably expect to take for granted. Changes are also afoot concerning potatoes, but what it boils down to is novelty - and that often means imports. Take a serious look at the "country of origin" labels next time you go fruit and vegetable shopping and you may be amazed, particularly in supermarkets, to discover just how much of the produce on offer comes from outside the UK. The UK's massive influx of imported novelty produce is, alas, largely at the expense of local vegetables - I mean the traditional garden vegetables which grow best in Britain. They are being squeezed out as shoppers are encouraged to win applause at table rather than aim to please with good foods well chosen and well cooked. The implication is that those who can afford to will want to upgrade from "ordinary" veg to "exotics". Yams, dinky little sweetcorns and tasteless imported green beans, must be more interesting and worthwhile to the UK consumer than, say, curly kale, beetroot or parsnips. Although I am probably as prone to show off as the next person, I am not convinced

supposed lack of time, pandering to consumer laziness by offering more and more foods in scrubbed shrink-wrap form. Beans come ready topped and tailed, potatoes are ready-scraped, cauliflower are broken into florets, carrots are cut into batons. Whole fresh fruit and veg, sappy and vital, damp and earthy, inspire the cook to cook and get the gastric juices flowing. Stripping and trimming in advance may save a few minutes in the kitchen but it also encourages freshness to ebb away fast - and it destroys the clues necessary for recognising good quality. I fear the next generation of children may not know what a whole cauliflower looks like, let alone know how to judge its quality. When vegetables are given a short hack and sides and strait-jacketed in film wrap (in other words when they are deprived of their naturally seductive selling points), the vendors must resort to artificial means of wooing customers, increasingly they lure us with novelty. Greater variety is the polite terminology, but what it boils down to is novelty - and that often means imports. Take a serious look at the "country of origin" labels next time you go fruit and vegetable shopping and you may be amazed, particularly in supermarkets, to discover just how much of the produce on offer comes from outside the UK. The UK's massive influx of imported novelty produce is, alas, largely at the expense of local vegetables - I mean the traditional garden vegetables which grow best in Britain. They are being squeezed out as shoppers are encouraged to win applause at table rather than aim to please with good foods well chosen and well cooked. The implication is that those who can afford to will want to upgrade from "ordinary" veg to "exotics". Yams, dinky little sweetcorns and tasteless imported green beans, must be more interesting and worthwhile to the UK consumer than, say, curly kale, beetroot or parsnips. Although I am probably as prone to show off as the next person, I am not convinced

that foreign asparagus is more desirable than home-grown leeks. I do know, however, that asparagus is a great deal more expensive, and I sometimes thank heaven for Scottish genes of thrift and common-sense. I also know that if the demand for such vegetables as fresh home-grown leeks and cauliflowers continues to fall, these vegetable will be scarcely worth growing in the UK on a commercial scale. If UK growers go under, the land is liable to be turned over to non-horticultural purposes. Those who suffer most are the poorest in society. Clearly unable to afford novelty vegetables at inflated prices, they are the people whose need to eat more fresh veg is probably greatest. If the cheaper traditional vegetable market disappears, the poverty spiral will worsen and so will the health of the nation. If we value the thought of being able to continue enjoying

such modest treats as purple sprouting broccoli, Jerusalem artichokes, English garden peas (I mean fresh not frozen) and runner beans in season shoppers ought to check more closely what they buy. My personal mini vegetable challenge is to aim to buy at least half my weekly vegetables in future from a local greengrocer, pick-your-own or vegetable box scheme. Do not imagine, however, that just because the produce will be whole, fresh and locally grown, that I shall indulge in that quaint British custom of killing vegetables by drowning. Oh no. The Vegetable Challenge conference is to be held at The Savoy Theatre, Strand, London WC1 on May 21 1996. Tickets, including wine and lunch prepared by Anton Edelmann, the Savoy's chef, cost £55. For details, telephone or fax Christine Thomas, secretary, Guild of Food Writers, on 0171-610 1130.

Joël Robuchon, perhaps the most respected French three-star Michelin chef, will cook his last meal at his restaurant, Robuchon, in Paris on July 5. Robuchon had always said he would retire at 50, after 35 years at the stoves, so this culinary finale comes only six months late. What is more surprising is the name of Robuchon's successor, another cele-

brated Frenchman, Alain Ducasse, three-star Michelin chef at the Louis XV restaurant in the Hotel de Paris, Monaco. The restaurant, to be

renamed "Alain Ducasse", will reopen on August 12 when, doubtless, tables will be just as difficult to reserve. This acquisition will put Ducasse in the unique position

of controlling six Michelin stars. Although Michelin does award these stars to the chefs rather than to the restaurants their status will not be affected until the next Michelin guide in spring 1997.

It is a useful address for those who like to shop (it is 100 yards from Brynpton Cross) with, on the evidence of one visit, enjoyable if not exemplary, food. Opening hours are useful too: Monday-Saturday 8.30am-11pm, Sunday 10am-10.30pm.

first brought the town of Mionnay, just outside Lyons, to the world's attention. Jousse is leaving Mionnay for a week to cook at The Windows restaurant, atop the London Hilton, May 13-18. For reservations ring 0171-208 4020.

L'Oranger is one of the latest names on London's growing restaurant scene. It occupies the former site of Overton's, 5 St James's Street SW1, (0171-893 774) and is part of the A-Z restaurant group which runs Aubergine and Zafferani in the capital. L'Oranger's opening prices are £16 for a two-course lunch, £22 for a three-course dinner.

According to the leading guides, Philippe Jousse is one of the rising chefs of France. As if establishing his own name in a highly competitive market were not enough, Jousse has had to achieve this in the shadow of the reputation his late, much lamented master, Alain Chapel, who

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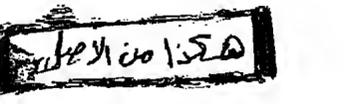
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INTERNATIONAL ARTS GUIDE

What's on in the principal cities

ADELAIDE

EXHIBITION
Art Gallery of South Australia Tel: 61-8-2077000
Brett Whiteley Retrospective: Selected Masterpieces: this touring exhibition highlights the artistic talent of one of Australia's most controversial artists.

AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-5730573
Cecilia Bartoli: accompanied by pianist Gyorgy Fischer. The mezzo-soprano performs songs by Scarlatti, Pergolesi, Haydn, Gluck, Bellini and Rossini; 8.15pm; May 12

BRUSSELS

CONCERT
Théâtre Royal de la Monnaie Tel: 32-2-2291200
Vladimir Chernov: recital by the baritone, accompanied by pianist Vesa Chachava; 8pm; May 10

CHICAGO

CONCERT
Chicago Orchestra Hall Tel: 1-312-435-6666
Chicago Symphony Orchestra: with conductor/clarinetist Pinchas Zukerman perform Mozart's Violin Concerto No.3, Violin Concerto No.5 and Haydn Serenade; 8pm; May 8 (7.30pm), 9, 10 (1.30pm), 11, 14 (7.30pm)

COLOGNE

CONCERT
Opernhaus Tel: 49-221-2218240
Gabriela Schnaaf: accompanied by pianist Nina Tichman. The mezzo-soprano performs songs by R. Schumann, Wagner and Ruzicka; 7.30pm; May 8

ANTWERP

CONCERT
De Singel Tel: 32-3-2483800
Koninklijk Filharmonisch Orkest van Vlaanderen: with conductor Grant Lewellyn and trumpeter Hakan Hardenberger perform works by R. Schumann, Pärt, Zimmermann and Beethoven; 8pm; May 11

BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
Akademie für Alte Musik Berlin: with conductor Jac van Steen and pianist Alexei Lubimov perform works by Vortsek, Schubert and Mozart; 8pm; May 5

DUSSELDORF

CONCERT
Opernhaus Düsseldorf Tel: 49-21-89080
Das Rheingold: by Wagner. Conducted by Hans Wallat and performed by the Deutsche Oper am Rhein. Soloists include Bodo Brinkmann, Christoph Erpenbeck, Rolf Ostwald, Eberhard Böchner, Hermann Becht, Helmut Pampuch, Hans Tschammer, Malcolm Smith and Christina Hagen; 7.30pm; May 8

EDINBURGH

CONCERT
The Queen's Hall Tel: 44-131-6683456
The King's Consort: with conductor/harpist/choral director Robert King, trumpeter Crispian Steele-Perkins and oboist Katharina Sprackelstein perform works by Telemann and Vajanyovsky; 12noon; May 9

BONN

EXHIBITION
Kunst- und Ausstellungshalle der Bundesrepublik Deutschland Tel: 49-228-9171200
Claes Oldenburg: an Anthology: containing 200 drawings, collages and sculptures, the exhibition bears witness to the creativity of this artist, one of the leading figures of American art associated with the Pop Art movement.

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Artist William Morris: celebrating his life's work in London and New York

K. McCalla, A. Stebilanko, P. Hunke, J.P. Bogart, A. Mendrok and C. Conde; 7pm; May 5

MILAN

THEATRE
Teatro Carcano Tel: 39-2-55181377
La Mandragola: by Machiavelli. Directed by Mario Missiroli. The cast includes Paolo Bonacelli, Cesare Gelli, Sabrina Zaninotto and Francesco Acquaroli; 9pm, Sun 3.30pm; to May 5 (Not Mon)

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MADRID

EXHIBITION
Fundacion Cultural Mapfre Vida Tel: 34-1-5611628
Postrimerias. Alegorias de la muerte en el arte español contemporaneo: exhibition focusing on death as a theme in the work of Spanish contemporary artists.

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CHESS

The International Chess Federation (Fide) has cancelled plans to stage its Karpov v Kamsky world title final in Iraq, after widespread protests and a threat by US authorities to prosecute Kamsky for sanctions busting.

The new venue is Kalmykia, the Caucasian republic ruled by Fide's president Kirsan Ilyumzhinov, but Kamsky says he will not compete there, citing safety fears and the lack of a bank guarantee for the \$Fim (\$338,000) prize fund.

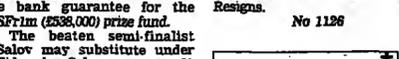
The beaten semi-finalist Salov may substitute under Fide rules. Salov, once a top 10 GM, is in poor form, so pairing him with Karpov will further diminish the credibility of this long-delayed match. And it would be no surprise if Kamsky's combative father legally challenged a default.

A messy saga, indeed. There is better news on the computer front, where Kasparov's victories in his later games against IBM Deep Blue have sparked top GMs to copy his anti-computer techniques of aiming for blocked positions and avoiding obscure tactics.

In this recent win played on the Internet 13 d5 persuades the machine to fail ineffectively on the Q-side while White creates a decisive attack

White mates in three moves, against any defence (by R Goette). An eye-catching position which can prove a frustrating search for the route through Black's pawn barrier.

Leonard Barden



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BRIDGE

North is a wily old bird renowned for his obscure bidding ideas. Following a disagreement, he will canvass club members in search of concurrence. Usually unsatisfied, he returns home, where his wife learnt long ago that capitulation breeds harmony.

Here, his bid was far from esoteric. Indeed, it was standard Acol, yet it provoked consternation.

At Game All, South opened 1NT, West passed and our hero, North, responded 2C - Stayman. East passed, South replied 2S and this was passed

Paul Mendelson

CROSSWORD

No. 9,060 Set by CINEPHILE

A prize of a classic Pelikan Souvenir 800 fountain pen for the first correct solution opened and five runner-up prizes of 235 Pelikan vouchers. Solutions by Wednesday May 15, marked Crossword 9,060 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday May 12.

Across: 1 Type of guide, unfinished, to classical author (6); 4 Goose on shipboard? (8); 10, 24 Played with tool after 3 See (7,10); 11 Illustration on page added for modesty (3,4); 12, 3 Fellow with car turning back in piece to take cases (4-1); 13 One promising to do funerals (10); 15 Position of sculpture finishing in the wrong direction (6); 16 Slight wound is no handicap (7); 20 What the batsman should do in confrontation? (7); 21 Bird about tiny - duck possible (6); 24 See 10 and 6; 26, 27 Exact copy of obsolete cooker? (4,4); 28 Rustic brings vegetables to insect (7); 29 File must be cooked as a stimulant (7); 30 Work such as Paradise Lost or the Odyssey, read aloud (8); 31 Means of surveying sporting areas (6)

Down: 1 Consist of crimes Petty Officer committed (6); 2 Usual version of scout with grr! (9); 3 See (7,10); 5 First left for wallpapering, extra-mural? (6); 6, 24 Most entertaining blue shift; you may get a cheque... (10,10); 7 ... which sounds like an audit (6); 8 See 17; 9 Drink to support arm (6); 14 Ringlet encircling award with sausage? (10); 17, 9 Exertion required for musical performance? (6,6); 18 Meteorologically long-term ascent to overhead area, say (8); 19 Old country aids hero in distress (9); 22 Composer's unfinished cape (6); 23, 6 Poles are sick, having room far from last (6,4); 27 See 26

Solution 9,069

Solution 9,068

VERBENY SCORES

CHIEFCOMMABLE

WINNERS 9,048: J.C. Burt, Homosul, Middlesex; Col Mike Hoare, Bourg de Vasa, France; G.M. Holmes, Tunbridge Wells; J.M. Roberts, Loxton S22; Mr & Mrs R. Topban-Smith, Newmarket, N. Walton, Kentingham, Kent.

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James Morgan

Hard at work remembering May Day

Welfare and unemployment squabbles have hijacked the annual celebration of labour

This week the great festival of European labour was celebrated, May 1. But it was marked by a newer European tradition: rows about cuts in welfare benefits and further increases in unemployment. It is sad to see many ancient customs disappear. In Germany the greatest benefit enjoyed by the working class has been that known as *Lohnfortzahlung*. It means "continued wage payment" and has been the most common word, in phrase, used in the German press in recent weeks. For any student of comparative welfare systems, the *Lohnfortzahlung* represents an

ideal which many seek but few, even in France or Sweden, have matched. It means that an employer continues to pay, for six weeks, the full wage of an employee who is unable to work because of sickness. That payment has been based on the wage received in the final week before illness strikes. So it is that when an employee feels that he might be about to fall sick, he works the maximum level of overtime. He will then get that same wage while recuperating at home or on a beach. In return for working, he is entitled to a "rest cure" of four weeks every few

years, in addition to his six weeks' annual leave. It is only recently that such benefits have become a matter of public concern, partly because they are seen as a cause of the unusually high unemployment and budget deficits suffered by the Federal Republic. That unemployment appears to be a cause of stress: when a colleague scoured Berlin the other day for jobless people to participate in a programme on the German employment crisis, she was told by potential subjects that they were "too busy" to help. Germany has still not introduced any kind of *Lohnfortzahlung* for

those who are unemployed. (Denmark has, however, managed something similar, offering the jobless "sabbaticals" whereby they do not have to visit the local employment office to collect their benefits when they might wish to go on holiday or pursue some private venture.) Developments in Germany are, as always, watched closely in France. "Will Germany face a social crisis comparable to that which we experienced at the end of last year?" asked *Sud-Ouest*. In this question there was none of the *Schadenfreude* that has characterised similar British views of the

same situation. France has based its accord republicain on *Modell Deutschland* and, therefore, feels the two ships will sink together. For the still-surviving communist *dail*, *Humanité*, the message of May 1 this year was, not surprisingly, that future social policy will be based on a rejection of the ideals of Labour Day, the Feast of St Joseph or whatever you care to call it. President Chirac, said *Humanité*, would govern from the opposite direction. From a different part of the political spectrum, the *Frankfurter Allgemeine Zeitung* came to a similar conclusion. Social Democracy

was finished. "Among leaders of the European left, only the Labour party's Tony Blair shines out," it said. He is lucky for he does not have to clear away the welfare state: Margaret Thatcher did it for him. "Social Democrats will for a while longer stride shoulder to shoulder on May 1 and deluge to sing the old songs. And when they look back at the old century which was supposed to be theirs, they will rightly say: 'We never killed anybody. And that is something in this century.'" Then, concluded the *FAZ*, perhaps they will remember the first ideas of European socialism: "Self-

help, comradeship and freedom." This is unusual in both form and content: the view is persuasive and it is expressed with verve and clarity. *FAZ* editorials rarely manage both. Anyway, we can conclude that the workers' May Day has had its day. We shall have to go back to an earlier tradition. The English maypole should become a new Euro-symbol, associated as it is with the vernal celebration of fertility. In a Europe of falling birth rates and meagre sperm counts, that makes sense. James Morgan is BBC World Service economics correspondent.

Royalty

Boxing clever with a wayward family

Queen Beatrix of the Netherlands is termed the general manager. And she likes to use her powers, says Christian Tyler

The curriculum vitae issued by the palace reads like a corporate brochure, its chief executive profiled under no-nonsense headings such as "personal particulars", "education" and "marital status".

Queen Beatrix of the Netherlands has a crown, but she never wears it. She lives in the *Huis ten Bosch* (the "house in the wood") conveniently close to her office, the Noordeinde ("north end") Palace in The Hague. She changes her personal staff - all save the gardeners - every few years. She pays tax on her considerable private income and insists on strict family discipline.

She is, in other words, a monarch who likes to see herself as employed in the reigning business. "We call her the general manager of the kingdom of Holland," says Jessa van Vonderen, the government press spokesman who handles palace affairs.

Queen Beatrix likes to go to the limit of her restricted powers. In private audience she will ask ministers to think again. In public she has expressed support for European union, criticised lax environmental standards, lectured the Dutch about morality and chided their intolerance of immigrants.

She gets away with it because although her limits are set by the constitution, their everyday interpretation depends on how well the monarch gets on with her prime minister - the Christian Democrat Ruud Lubbers for most of her reign - who with his ministers takes responsibility for her every public utterance or action.

Not only does Beatrix get away with it, she has succeeded in rendering redundant, at least in her own country, the question of why the monarchy is allowed to continue at all.

"As a serious party, even of the left, we are not in a hurry to ask such questions," says Peter Rehwinkel, a young Labour MP and constitutional expert. "We don't make politics out of the monarchy. If the Dutch wanted a president, they would probably choose the Queen in any case. She is a very intelligent woman, a perfectionist, very business-like."

Strong-willed, even arrogant, as a girl, Beatrix has earned general respect for her no-nonsense manner. She is not loved in quite the way her mother Queen Juliana was: it was Juliana who rode around on her bicycle in order to get closer to the people. Beatrix owns a bicycle, too, but rides it only in the palace park. Juliana, it is said, had something of the social worker about her: she was motherly, tolerant and liked to be called simply "Madam".

On her succession in 1980, Beatrix, now 58, made it plain that she was to be addressed as "Your Majesty". Beatrix appears to have inherited



Queen Beatrix (left) and Prince Willem-Alexander: the boss of the family firm can afford to take no chances when it comes to grooming a successor for the chairman's seat

the robustness of her grandmother Queen Wilhelmina, whom Sir Winston Churchill described as "the only man in the Dutch government" while she was leading the resistance to the Nazis from London during the second world war.

Queen Beatrix is also financially secure. Indeed, she is reputed to be one of the richest women in the world, not far behind the Queen of England. She is said to be a large holder of Royal Dutch/Shell equity - if so, the holding is less than 5 per cent because it does not appear in her tax declaration.

If the family's financial position is more than sound, its political security is enhanced by a device which we may call The Royal Box.

Inside the box are those members of the family firm who are in the line of succession and for whose

actions and words therefore the politicians will take responsibility. They include the Queen's mother and father, Juliana, 87, and Prince Bernhard, 84, Queen Beatrix and her husband Prince Claus, 69, and their three sons. Also included is the "assistant queen", Beatrix's sister Margriet, 53, her husband Pieter van Vollenhoven and their four children. But when the crown prince Willem-Alexander succeeds - assuming he does - then his children will come into the box and the cousins will fall out.

This damage limitation device - which is not the same thing as the civil list - was introduced in 1978 against the wishes of Juliana. The "box", and the fact that only the five principal royals get an allowance from the taxpayer, means that the misbehaviour of minor royals



can officially be described as "a matter of no public interest". So, for example, the nonconformist love lives of the queen's two other sisters are said to leave no stain on the monarch herself. Prince

Irène put herself beyond the pale, out of the box, by secretly marrying a Catholic Bourbon pretender to the Spanish throne - from whom she was later divorced. Princess Christina married a Cuban refugee and social worker in New York, and has also divorced.

Worse things have happened to the family than erratic marriages; and they help to explain the harsh internal regime introduced by the "manager of the kingdom".

The most serious case in 1976 when the then prince consort Bernhard was implicated in the Lockheed bribes scandal. At first it was denied that he had received payments in return for pushing contracts for the US aircraft company. Beatrix threatened to renounce her title if her father were prosecuted. The threat worked, but the truth

later admitted and Bernhard was stripped of many functions.

"Lockheed changed the family's behaviour by making them aware of their political weakness," said Harry van Wijnen, former political correspondent of *NRC Handelsblad* and author of a hook on the prince.

Twenty years before the Lockheed scandal there had been a strange affair involving a faith healer called Greet Hofman who was said to have communist connections and to have become, Rasputin-like, a dangerous influence at the palace. Hofman had been brought in by Queen Juliana to treat her daughter Christina for an eye defect caused by German measles, for which the mother blamed herself. Prince Bernhard ordered Hofman

out, putting a further strain on already had marital relations. When, according to one newspaper editor, Juliana consequently sought a divorce from Bernhard in the 1950s, the then prime minister refused it on the grounds that it would provoke a constitutional crisis. Little if any of this was reported in the Dutch press of the day.

Beatrix herself had to contend with hostility when her engagement to the German Claus von Amsberg was announced, even though both her mother and grandmother had married Germans. As a youth Claus had briefly served in the Wehrmacht. Today, he is described as the most popular member of the family and received great public sympathy during his two nervous breakdowns and a continuing battle with a mild form of Parkinson's disease.

The managerial skill of Queen Beatrix will be tested again when the time for the succession comes. It may be, as van Wijnen claims, that she rules her household with a rod of iron. But her 29-year-old son and heir, Willem-Alexander, the Prince of Orange, is known to the weekly magazine *Privé* as "The Prince of Fun".

"He is a nice guy, but not serious enough," says Willem Smitt, joint founder and editor of the gossip magazine. "He is not preparing himself for heavy duty." For example, Willem-Alexander once excused himself from a Belgian state visit saying he was revising for his exams, but the same afternoon he was seen racing a car round a local circuit. Earlier this year *Privé* supported an animal rights campaign to stop the prince hunting wild boar in the royal domain, accusing him of being a bad shot who wounded his prey.

Smitt, a jovial chain-smoker in braces, uses this and other incidents of public concern to justify tailing the prince and publishing scoops about his girlfriends. The latest date, whose existence is officially denied, has been left alone because she is doing a course at KLM, the Dutch airline. "At the moment it's boring to tail her," the editor said.

But 10 years ago, a *Privé* story that the prince had spent the night in the Amsterdam Hilton with a young blonde after taking her to the inappropriately named Juliana's nightclub brought down the wrath of the palace. Prince Claus sued, the witnesses fell silent, and the magazine had to pay costs.

Whatever they may think of the crown prince, the editors' policy is not to go too far. "If we appear to be against the family, it costs us readers," Smitt said.

Short of a serious scandal, the only thing that could disrupt the Dutch royal succession is the fear that the crown prince, whose chief interests appear to be beer and fast cars, is not up to the job.

The Dutch monarchy has never been more popular, according to a close adviser. But in the view of political pundits it works only so long as the occupants are good at their work.

The boss of the family firm can afford to take no chances when it comes to grooming a successor for the chairman's seat.

Next week: Succession pains in Belgium.

One does not usually expect to clock in and out of a church service. But the priest in the southern Portuguese village of Reguengos de Monsaraz is refusing to carry out baptisms, weddings or funeral services unless parishioners spend a minimum number of hours at church every week.

The situation came to a head recently with the death of Manuel Faria, the local barber. Father Eduardo Manso Inacio, the Catholic priest, refused to conduct a service, or even allow the church bells to ring. Faria's son Vitor was so angry that he has written to the local bishop and to the Pope to complain. "The minimum one expects from a priest is that he carries out a decent funeral."

In the village square, talk is of little else. "Father Eduardo will be putting up a sliding scale next," grumbles the owner of the chemist's shop. "Five hours a week for a baptism, 10 for a wedding, 15 for a funeral without bells and 20 with

it's a scandal." Father Eduardo is unrepentant. "Just as those who don't want to work have no right to eat, then those who don't go to church regularly have no right to my services."

The village of Reguengos de Monsaraz is in the province of Alentejo, the second poorest region in the whole of Europe, and locals point out that with such a struggle to survive, they do not always have time to attend mass.

Inacio has been priest of the village for 20 years and only recently adopted his hardline position. His stance coincides with the arrival in the village of the Universal Church of the Kingdom of God, a Brazil-

based evangelical sect which is also winning converts all over Portugal.

"He thinks he is King of Reguengos," says Vitor Faria. "He is building up his congregation by fear." If so, the strategy may be working. At the Casa da Palmeira hotel, the female receptionist admitted: "We are all going to mass regularly now because we are scared that otherwise Father Eduardo will not do our weddings and christenings."

Father Eduardo of Reguengos is not the only Portuguese priest causing ructions in his parish, according to Luis Marinho Antunes, a sociology professor at Lisbon's Catholic University, who specialises in reli-

Letter from Portugal

Case of the troublesome priest

The Catholic Church is starting to act tough, reports Christina Lamb

gious issues. "There are similar conflicts all over the country," he says, recalling that earlier this year the bishop had to intervene at a church in Guarda to stop the local priest parking his jeep inside the nave because he did not trust his own parishioners not to steal it.

"The problem is that priests in Portugal tend to be very old and have not kept up with the changing situation of the country," Antunes explains. While the leadership of the church may have adapted, the rest of the clergy has not. The average age of the country's 5,000 priests is 63.

The country that once considered itself "standard bearer of the faith",

has changed so much that it has recently elected an openly atheist president, Jorge Sampaio.

Having an atheist as head of state has set off a national debate about how the Church should respond to modern day realities.

Just as in the village of Reguengos, the biggest challenge is the growth of evangelical sects, principally the Universal Church of the Kingdom of God.

Portugal has only had religious freedom since the 1974 revolution and the last few years have seen the arrival of various movements from overseas as well as some home-grown ones, while those regularly attending Sunday mass has fallen

to 25 per cent of the population.

The controversial Universal Church is having phenomenal success in Portugal; it has animated services where speaking in tongues is common, as are promises miracles and riches. As Antunes points out: "The Catholic church is used to having a monopoly here. It does not yet know how to react to all the diversity suddenly on offer."

So intense is the battle for souls that in some areas Universal Church meetings have degenerated into bloody clashes. In various towns in the north of Portugal such as Matosinhos, buildings used by the Universal Church have been set on fire and riot police called in

when members of the sect have been attacked as they leave services.

The headquarters of the Universal Church in Lisbon recently issued a report entitled "Inquisition in Portugal" in which it openly accused the Catholic Church of instigating the violence.

One problem is that the Catholic church does not have enough priests. The last decade has seen the number fall by 10 per cent and though new priests are entering the church, it is no way compensates for the large numbers dying off.

Church leaders have encouraged local priests to respond by becoming more evangelical and more involved in community service. Although this strategy has generally been successful, it is rejected by a growing movement of hardliners such as Father Eduardo. He insists: "In my 20 years here in Reguengos I've done everything to conquer the people. They have rejected the church, so the only answer is to become firmer."

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Weekend Investor

Wall Street

Confusion reigns as storm clouds recede

Inconclusive employment figures leave unanswered questions, writes Lisa Bransten

No hurricane loomed off the coast of Manhattan this week, but observers would hardly have known that from the way Wall Street retreated to await the worst from yesterday's figures on employment growth in April.

As Friday approached, investors became increasingly like citizens watching a distant storm that could build strength and destroy a city or dribble away into spring showers. Tension mounted on Thursday when the Commerce Department surprised investors with figures showing that the economy grew almost twice as quickly as many economists expected. That suggested Friday's numbers would be devastatingly strong and prompted a sharp sell-off across US financial markets amid worries of higher inflationary pressures.

But Friday's figures were not dire. Instead of confirming the worst fears of investors or bolstering high hopes, they left the market with unanswered questions about the prospects for economic growth through to the end of the year. The economy is clearly stronger than those who worried about recession at the end of last year had feared, but the addition of just 2,000 new jobs last month leaves prospects about growth for the rest of 1996 unclear.

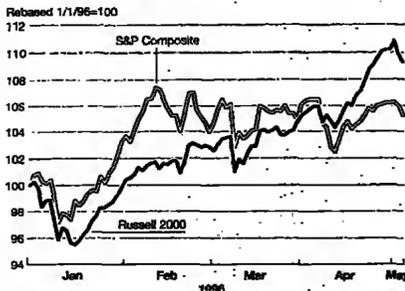
Further clouding the issue was the drop in the unemployment rate to 5.4 per cent and the 0.6 per cent increase in hourly earnings, both of which heightened fears of inflation. All of that left the market a bit befuddled. By midday, the Dow Jones Industrial Average had recaptured only 16.98 of the nearly 77 points it shed on Thursday and activity on the bond market was muted, with the yield on the benchmark 30-year Treasury holding well above 7 per cent.

The news was greeted with just as much confusion by investors in the small capitalisation stocks that make up the Russell 2000 index.

On Wednesday, it soared to a 10th consecutive record close; then, Thursday's GDP data threw the entire market into confusion. But the Russell 2000 managed to regain nearly half of Thursday's loss by noon yesterday.

Claudia Mott, director of smallcap research at Prudential Securities, traces the rise in the shares of smaller com-

Soaring small caps



Released 1/1996=100

Source: FT Extel

panies to mid-February when fears of recession began to fade and investors began scouring the landscape for the groups that would benefit most quickly from economic growth.

Since then, the Standard & Poor's index of the 500 biggest companies has advanced a meagre 1 per cent while the Russell index gained 8 per cent, led by growth in technology, energy and retail sectors.

According to Mott, yesterday's figures removed some of the fears that the Federal Reserve would have to start raising interest rates and should allow continued gains for the rest of the year.

Smaller companies have benefited this year from a strengthening of the dollar, which is disproportionately damaging to big multinational companies that sell a large percentage of their goods and services overseas.

Earnings at the 1,100 small companies Mott follows rose 10.3 per cent in the first quarter, beating the earnings growth turned in by the bigger stocks she tracks by nearly 2 percentage points.

But the recent excitement about small cap stocks could be tied more closely to the game of catch-up they have played since the start of this year than to an overwhelmingly positive environment for little companies. As the S&P 500 soared 34 per cent last year, the Russell 2000 gained 20 per cent, as valuations in the sector are relatively low.

Keith Mullins, director of smallcap research at Smith Barney, says that while the performance of the sector for

the rest of the year is uncertain given the unclear economic situation, valuations remain compelling. Of the 2,500 companies he tracks, the smaller ones are trading at about 0.8 times their expected 1996 earnings, while the larger ones are going for about 1.8 times earnings.

There is, however, more to last week's record-breaking run among small caps than just low valuations, he says. "The group is outperforming because of the greed factor. Money is chasing a strong performance."

That makes him nervous about the sector's ability to gain over the next few months. "We've seen that being in this sector can be very profitable but, when the party ends, it can be very painful."

The strength in small caps is also troubling to some market strategists, who see it as an indication that last year's bull market is in its final stages. "I think it is part of the speculative froth that has been building," says David Shulman, chief market strategist at Salomon Brothers.

Not everyone is worried, though. Jeffrey Applegate, chief market strategist at Lehman Brothers, notes that smallcap stocks outperformed the broader market from 1990 to 1994. While 1994 was hardly a stellar year, it certainly did not mark the onset of a bear market.

Table with 2 columns: Day, Dow Jones Ind Average. Monday: 5573.41 +5.42; Tuesday: 5569.08 -4.33; Wednesday: 5575.22 +5.14; Thursday: 5498.27 -76.95; Friday: (blank)

London

When it's good to stop talking

Philip Coggan sees BT's big deal come unplugged

The story so far. Beattie, who was in love with a cable layer, is having second thoughts. The Power brothers have had a nasty shock but a Royal wedding is in the air...

Sometimes, watching the stock market is like trying to follow a soap opera or keep up with the lives of old friends. "But I thought you were married to Susan? No, she ran off with the accountant. I've moved in with Katy and her three kids by Matthew."

This week's market action had enough break-ups, get-togethers and shock revelations to fill at least half an hour of Dallas.

Chief executives seem no more able to resist their biological urge to merge than dogs can resist chasing rabbits. In the Anglo-Saxon stock markets, all this takeover activity keeps traders happy, although whether it does the economy much good is the subject of

academic argument.

Having shed the debt burdens incurred late in the 1980s, corporations emerged from the early 1990s recession with strong cash positions. In 1995, they often used cash holdings to take over competitors; the most prominent example was the Glaxo-Wellcome deal.

Takeover hopes have helped maintain the market's momentum in 1996 although the government's political problems, and the related weakness of gilts, have made life more of a struggle this year. So it was a particularly nasty shock for investors this week to find that discussions between British Telecom and Cable and Wireless, which had been rumbling on since last year, had come unplugged. As Bob Hoskins, star of the BT commercials, might have said: "It's good not to talk."

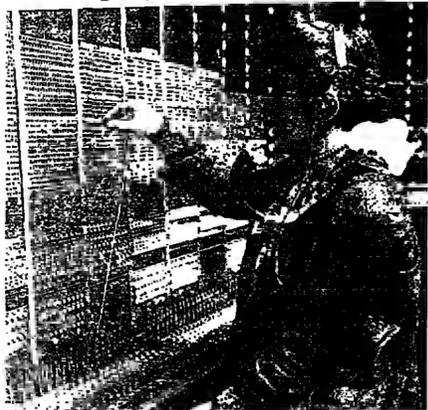
The deal would have represented the highest single merger in UK corporate history. And while much of the payment was expected to be in

the form of shares, commentators were hoping for a special dividend of around 60m, which would have given a boost to the market.

The failure of the talks still leaves Cable and Wireless as a tempting takeover target for another company. But it knocked the shares of both groups, two of the larger constituents in the FT-SE 100 index, yesterday.

The BT-C&W announcement came on top of the government's statement that it would block bids for National Power and PowerGen until there was increased competition in the power generation business. The power companies had already been prevented by the Department of Trade and Industry from making bids for Midlands Electricity and Southern Electric, two regional electricity companies. They are, thus, in the unusual position of being unable to be predators or bid targets.

All this might lead one to assume that the takeover spree



Unplugged: talks between BT and C&W were disconnected

is coming to an end - but the market's scriptwriters had another plot twist. The insurance sector had been the subject of repeated bid and merger rumours, but yesterday's announcement of a link between Royal Insurance and Sun Alliance still came as a surprise. The deal might boost the companies' profits through cost savings but, as a straight share swap, will not inject any new cash into the market.

Cash should, however, be a prominent element of the expected offer for Midlands Electricity, which has leapt from the clutches of PowerGen into the arms of an (as yet unnamed) US utility.

So bids should be a continued spur to trading activity for a little while yet - although investors should take heed of Richard Jeffrey, Charterhouse group economist, who says: "There have been nine stories for every one actual takeover."

Meanwhile, further drama came on both the economic and corporate fronts this week. The results season passed without any nasty shocks but there have been a number of recent profit warnings, notably from Courtaulds Textiles, Great Universal Stores, Costain, Rugby and Pearson, the media group which owns the Financial Times. Supermarket group Kwik Save reported poor interim figures and a gloomy outlook for the second half.

It is probably too soon to describe these warnings as a trend, but corporate profits growth is expected to slow in 1996 after several strong years. The week's economic data also seemed as if it was written by a dramatist. In Act One, on Thursday, stronger-than-

expected US gross domestic product data raised fears that the Federal Reserve might increase interest rates. Bond and equity markets fell as a result. In Act Two, however, yesterday's US non-farm payroll data was much weaker than expected (albeit with signs that earnings are starting to pick up), giving some relief to markets.

What is the poor investor to make of all this turbulence? It is hard to describe the UK market as cheap. The dividend yield is only around 3.7 per cent, the gilt-edging yield ratio has been edging close to 2.3, and the historic price-earnings ratio is over 17 at a time when profits growth is slowing.

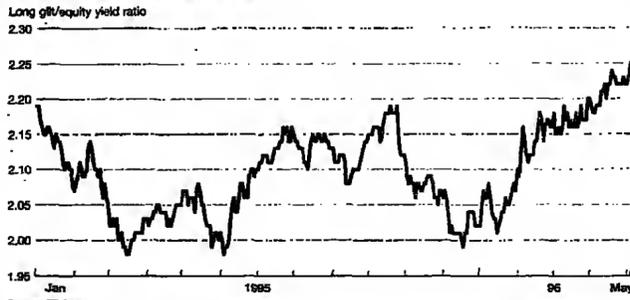
Interest rates are still expected to rise by the end of the year, according to the short sterling futures market. And investors have been reminded of the political risks by the Conservative party's heavy losses in the local elections.

Even Ian Harnett of Societe Generale Strauss Turnbull, a prominent bull in recent times, has cut his Footsie forecast. He thinks a combination of the weakness of the manufacturing sector and political factors will prompt the government to cut interest rates next week.

Given that consumer spending is rising, a rate cut would increase inflationary risks and force gilt yields higher. This would put pressure on shares; accordingly, Harnett is reducing his end-year Footsie target from 4,000-4,250 to 3,950-4,100.

With even bulls cutting forecasts, the investors who piled a record 61m into unit trusts in March may need to be patient.

Gifts put strain on equities



Source: FT Extel

Highlights of the week

Table with 5 columns: Index/Company, Price, Change on week, 52 week High, 52 week Low. Includes FT-SE 100 Index, FT-SE Mid 250 Index, BT, Cable & Wireless, GRE, Kwik Save, Manchester United, Midlands Electricity, Mpsa Bros, Pearson, Raymond's (Harry), Regal Hotel, Royal Insurance, SmithKline Beecham, Sun Alliance.

- Wall Street slide
Power bids vetoed
C&W talks abandoned
BT talks abandoned
Sector activity hopes
Poor figures
Championship prospects
Bid hopes
Positive sentiment following results
Profits warning
Catching up with sector
Return from suspension
Merger with Sun Alliance
Failure to get FDA approval
Merger with Royal Insurance



Peter Martin Keeping it all in the family

Can outsiders get a fair deal in the emerging economies?

The Albanian stock exchange opened for trading on Thursday. Oh sure, you say, another boring east European bourse. An opening ceremony at which the country's president praises "an historic occasion": a trading floor in the basement of the central bank; an initial list of government debt and privatisation certificates. Run of the mill stuff.

Before you yawn, though, just think for a moment. This is a country, after all, which banned private cars until 1990, proclaiming itself the only exponent of "authentic socialism". Cement output went into building 500,000 pillboxes (one for every six people) against an invasion nobody could be bothered to mount. Workshops made spare parts for long-obsolete Chinese equipment, unavailable since the two countries fell out in 1978. If Albania can be an emerging economy, so can my potting shed.

Albania is an extreme case, but it has one characteristic in common with other emerging (and emerging) economies: sheer implausibility. Three and a half decades ago, who would have picked Singapore as one of the growth poles of south-east Asia?

Still, to use a phrase familiar to faithful readers of this column, you would have to take a very Long View indeed to see Albania as a

fully developed market economy. But that is irrelevant. It is precisely that decades-long scope for rapid expansion that makes emerging economies so attractive. It offers the western investor the opportunity to tap into much greater growth potential than can be achieved by the mature economies back home.

How easy, though, will the western investor find it to tap into the growth of emerging economies? Even if local regulations allow investment by outsiders, will there be the equity offerings that really allow full participation in local growth? And will investors in whatever vehicles there are be given equitable treatment by insiders?

In Europe's first period of rapid growth, in the 19th and early 20th centuries, there was little scope for outside equity investors. Family businesses grew largely on the back of retained earnings; external finance came from bank loans and, to some extent, from bond issues. Only the great booms - railways, for instance - tapped the equity market on a large scale. And, of course, investors sucked in during these often had very unhappy experiences to report.

There are parallels here with the difficulty many western investors find in investing in true growth stocks in the strongest emerging economies, those of

south-east Asia. Just as in 19th-century Europe, many of the best investment opportunities are in the hands of family-owned groups.

Such firms are likely to be tempted to offer equity to outsiders only when the deal is really too good to refuse - during a market boom which automatically stacks the deck

Unless you get your timing right, you will end up buying in just as the locals are selling

against the new investors. Still, a study a year or so ago by Cambridge economist Ajit Singh showed that, for those big emerging markets companies which have succumbed to the temptations of a public listing, net external finance was remarkably high by western standards.

The typical British company gets between a quarter and a half of its net addition to long-term capital from external debt or equity. For the sample of 100 emerging markets companies he studied, the ratio is more like half to three-quarters, with equity providing the lion's share.

So today's emerging

markets are more like the US, which, during its boom period of the late 19th century, relied much more heavily on stock market capital than did Europe. That sounds like an encouraging parallel: if buying a basket of emerging market stocks will expose you to the AT&Ts, Coca-Colas and General Electrics of the 21st century, you can afford to pick up the odd huggy-whip manufacturer as well.

But the real surge in selling US stock to external investors came as part of the great industrial reorganisations of the period. These were notorious not merely for their creation of monopolies but also for the stock market manipulation they involved.

Which leads back to the question of whether western investors seeking to profit from the growth of emerging economies can expect to get equitable treatment any more than the innocent investor in Jay Fisk's Wall Street.

In one sense, the situation is incomparably better: there is now widespread acceptance of basic investor protection regulations, and most markets pay at least lip service to these principles - some very much more than that. But today's emerging markets remain biased inherently towards insiders. If only because of the tight family control under which many publicly-quoted groups are still held.

That family control, those political connections, that deep understanding of local business habits - this is partly what attracts outsider investors into the stock in the first place. They are ill-placed to complain if it goes hand in hand with a willingness to exploit those advantages in dealings with fellow shareholders as much as with competitors.

Does it matter, anyway? In an economy growing at three times the rate of a western one, even losing half your profits growth to insiders still leaves you with half as much again as the growth you could get at home.

A diversified buy-and-hold strategy in developing markets might expose you to the pitfalls of the local markets, but it will also expose you to the growth. Over the long run, the growth is likely to win out - as long as you avoid attempting to market-time the emerging markets cycle. Unless you get your timing exactly right, you will end up buying in as the locals are selling, and selling out as they are picking up the pieces from wounded overseas investors.

So the question is: how long is your long term? If it is long enough to encompass Albania, it is probably long enough to cope with anything. By the way, I've got a very interesting potting shed you might like to consider...

Offshore managed funds and UK managed funds are listed in Section One

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COMMODITIES AND AGRICULTURE

WEEK IN THE MARKETS Lead prices hit 5 1/2-year highs

Lead prices surged to 5 1/2-year highs at the London Metal Exchange this week as US investment funds plunged into the market...

The drawdown from LME stocks has been interrupted in recent weeks, but the total remains uncomfortably low. A 350-tonne fall this week left the figure at 89,075 tonnes...

Aluminum prices were also strong this week, despite a further substantial rise in LME stocks. The three months delivery price closed yesterday at \$943.25 a tonne...

The London Commodity Exchange cocoa futures put in the strongest performance. The July delivery contract rose \$8 yesterday to \$1,104 a tonne...

With copper prices also moving higher, to four-month peaks, analysts were suggesting that a fundamental change of sentiment had gripped the base metals sector...

Richard Mooney

WEEKLY PRICE CHANGES table with columns for Commodity, Lastest, Change, Year, High, Low

BASE METALS

LONDON METAL EXCHANGE table with columns for Commodity, Price, Change, High, Low

PRECIOUS METALS continued table with columns for Commodity, Price, Change, High, Low

ENERGY table with columns for Commodity, Price, Change, High, Low

CRUDE OIL table with columns for Commodity, Price, Change, High, Low

HEATING OIL table with columns for Commodity, Price, Change, High, Low

GAS OIL table with columns for Commodity, Price, Change, High, Low

NATURAL GAS table with columns for Commodity, Price, Change, High, Low

PRECIOUS METALS table with columns for Commodity, Price, Change, High, Low

LONDON BULLION MARKET table with columns for Commodity, Price, Change, High, Low

GRAINS AND OIL SEEDS

WHEAT table with columns for Commodity, Price, Change, High, Low

BARLEY table with columns for Commodity, Price, Change, High, Low

SOYABEAN MEAL table with columns for Commodity, Price, Change, High, Low

POTATOES table with columns for Commodity, Price, Change, High, Low

WHEAT table with columns for Commodity, Price, Change, High, Low

BARLEY table with columns for Commodity, Price, Change, High, Low

SOYABEAN MEAL table with columns for Commodity, Price, Change, High, Low

POTATOES table with columns for Commodity, Price, Change, High, Low

SOFTS

COCOA table with columns for Commodity, Price, Change, High, Low

COFFEE table with columns for Commodity, Price, Change, High, Low

SUGAR table with columns for Commodity, Price, Change, High, Low

ORANGE JUICE table with columns for Commodity, Price, Change, High, Low

COTTON table with columns for Commodity, Price, Change, High, Low

WHEAT table with columns for Commodity, Price, Change, High, Low

BARLEY table with columns for Commodity, Price, Change, High, Low

SOYABEAN MEAL table with columns for Commodity, Price, Change, High, Low

POTATOES table with columns for Commodity, Price, Change, High, Low

MEAT AND LIVESTOCK

LIVE CATTLE table with columns for Commodity, Price, Change, High, Low

LIVE HOGS table with columns for Commodity, Price, Change, High, Low

PORK BELT table with columns for Commodity, Price, Change, High, Low

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LIVE HOGS table with columns for Commodity, Price, Change, High, Low

PORK BELT table with columns for Commodity, Price, Change, High, Low

LONDON TRADED OPTIONS

ALUMINUM table with columns for Commodity, Price, Change, High, Low

COPPER table with columns for Commodity, Price, Change, High, Low

COFFEE table with columns for Commodity, Price, Change, High, Low

COCOA table with columns for Commodity, Price, Change, High, Low

CRUDE OIL table with columns for Commodity, Price, Change, High, Low

HEATING OIL table with columns for Commodity, Price, Change, High, Low

GAS OIL table with columns for Commodity, Price, Change, High, Low

NATURAL GAS table with columns for Commodity, Price, Change, High, Low

PRECIOUS METALS table with columns for Commodity, Price, Change, High, Low

LONDON SPOT MARKETS

CRUDE OIL table with columns for Commodity, Price, Change, High, Low

HEATING OIL table with columns for Commodity, Price, Change, High, Low

GAS OIL table with columns for Commodity, Price, Change, High, Low

NATURAL GAS table with columns for Commodity, Price, Change, High, Low

PRECIOUS METALS table with columns for Commodity, Price, Change, High, Low

LONDON BULLION MARKET table with columns for Commodity, Price, Change, High, Low

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LONDON BULLION MARKET table with columns for Commodity, Price, Change, High, Low

PRECIOUS METALS table with columns for Commodity, Price, Change, High, Low

WORLD BOND PRICES

Table of world bond prices with columns for Country, Maturity, Price, Change

MARKET REPORT

By Lisa Branstetter in New York and Sander Iskander in London. A surprisingly weak April employment report failed to cheer the US Treasury market...

US INTEREST RATES

Table of US interest rates with columns for Rate, Price, Change

BOND FUTURES AND OPTIONS

Table of bond futures and options with columns for Commodity, Price, Change, High, Low

LONG GILT FUTURES (LFF) £50,000 5 1/2% of 100%

Table of long gilt futures with columns for Commodity, Price, Change, High, Low

EURO BOND FUTURES (MATF) €100,000

Table of euro bond futures with columns for Commodity, Price, Change, High, Low

LONG TERM FRENCH BOND OPTIONS (MATF)

Table of long term French bond options with columns for Commodity, Price, Change, High, Low

GERMANY

Table of German bond futures with columns for Commodity, Price, Change, High, Low

ITALY

Table of Italian bond futures with columns for Commodity, Price, Change, High, Low

SPAIN

Table of Spanish bond futures with columns for Commodity, Price, Change, High, Low

UK GILTS PRICES

Table of UK gilt prices with columns for Maturity, Price, Change

FT ACTUARIES FIXED INTEREST INDICES

Table of FT actuaries fixed interest indices with columns for Index, Value, Change

FT FIXED INTEREST INDICES

Table of FT fixed interest indices with columns for Index, Value, Change

UK GILTS PRICES

Table of UK gilt prices with columns for Maturity, Price, Change

US TREASURY BOND FUTURES (CBT) \$100,000 2 1/2% of 100%

Table of US treasury bond futures with columns for Commodity, Price, Change, High, Low

EURO BOND FUTURES (MATF) €100,000

Table of euro bond futures with columns for Commodity, Price, Change, High, Low

LONG TERM FRENCH BOND OPTIONS (MATF)

Table of long term French bond options with columns for Commodity, Price, Change, High, Low

OTHER FIXED INTEREST

Table of other fixed interest with columns for Commodity, Price, Change, High, Low

BENCHMARK GOVERNMENT BONDS

Table of benchmark government bonds with columns for Country, Maturity, Price, Change

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UK GILTS PRICES

Table of UK gilt prices with columns for Maturity, Price, Change

OTHER FIXED INTEREST

Table of other fixed interest with columns for Commodity, Price, Change, High, Low

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OTHER FIXED INTEREST

Table of other fixed interest with columns for Commodity, Price, Change, High, Low

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Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Saturday May 4 1996

Mr President sitting pretty

How the lowly have risen. Eighteen months ago, it was barely possible to conceive of US President Bill Clinton winning a second term this November. These days it is difficult to imagine anything else.

Mr Clinton's comeback shows him to be a man of rare - if intermittent - political skill. But rarest of all is his sheer luck, not least the economic variety.

The US has now entered its 62nd month of consecutive growth, making this the longest peacetime expansion without a single quarter of negative growth since the 1960s. This week's economic data provided very little indication that the winning streak will be broken any time in the near future.

Mr Clinton could hardly ask for a more benign constellation of moderate inflation and highly respectable growth in output and employment, as he enters the last six months of the campaign. Yet, being a politician, he surely does want more rapid growth, and, crucially, larger wage rises for the beleaguered American workforce. The fear among investors, so evident in US financial markets this week, is that he would get his wish.

Bond prices plummeted on Thursday at the news that the economy had performed a good deal better than expected in the first three months of this year. Real gross domestic product was revealed to have grown at an annualised rate of 2.8 per cent in the first quarter, a good percentage point higher than most Wall Street economists had predicted.

In the frenetic trading which followed, yields on the very long-term (30-year) bond rose above 7 per cent for the first time in nearly a year. Less predictably, perhaps, the Dow Jones Industrial Average followed suit, ending the day over 75 points down.

Investors were only partly appeased by yesterday's 2,000 increase in non-farm employment in April. True, the increase was some 100,000 or so lower than expected, but it was not lost on traders that the six-figure job growth in each of the previous two months had been revised upwards even further.

Less worried

The markets' reaction to the good economic news provides Mr Clinton with something of a conundrum. For, much though he may delight in signs of a renewed upturn, he could clearly live without a pre-election rise in short and long-term interest rates.

As far as short-term rates are concerned, futures markets are indeed now predicting a roughly

half-point increase in US official rates by September, with a further quarter-point increase factored in between then and December. Yet the Federal Reserve chairman, Mr Alan Greenspan, may well be less worried by the latest economic data than investors.

Inflationary pressures, for one thing, still appear well under control, particularly in the labour market. For all the new jobs created since the start of the year, the rise in the employment cost index actually decelerated slightly during the first quarter, to a quarterly rate of merely 0.7 per cent, compared to a revised 0.8 per cent growth in the fourth quarter of 1995.

Meagre growth

A closer examination of the new GDP data provides further arguments against the overheating hypothesis. Companies do appear to have been able to sell many of the stocks they were landed with at the start of the year. But, amid meagre growth in investment and wages, reduced public spending and rising consumer debt it is difficult to see where a sustained surge in US growth would come from.

Mr Clinton, then, has grounds for at least hoping that Mr Greenspan will not rain on his reelection parade. But he can expect fewer favours from the bond market, unless, perhaps, he manages to persuade the Republicans to agree on precisely how to balance the federal budget over the next seven years.

Mr Clinton has little to lose - either in the financial markets, or in the opinion polls - in pressing the Republicans to come up with such a deal. He won the budget war of 1995-96 hands down, by allowing the Republicans to go too far in their assault on, among other things, the social safety net and the environment. The Republicans accepted last week's agreement because they could see there was no more political mileage in such a confrontation.

If Mr Clinton's opponent, Senator Bob Dole, accepts the budget challenge and there is an agreement, his case for replacing Mr Clinton is inherently weakened. If he balks, the president can again say the Republicans are not really serious about responsible negotiations to balance the budget.

The most likely outcome is much posturing on both sides, leading to a stalemate until the election. The good news for Mr Clinton is that the latter might help him win. The bad news for the US economy is that it would leave the underlying fiscal problem unresolved.

Policy of getting together

The merger between Sun Alliance and Royal is likely to launch a wave of consolidation in the UK insurance industry, says Ralph Atkins

Royal Insurance and Sun Alliance: a new chapter

Yesterday's £6bn agreed merger between Sun Alliance and Royal Insurance has provided a sudden shot of adrenalin for the UK insurance sector.

The two companies have seized an opportunity long apparent to many in the sector: as in banking, there are deals possible that can cut costs and increase clout in competitive markets.

"It is one of the most exciting situations in insurance for a long time," says Mr Richard Gamble, Royal's chief executive. By joining forces, Mr Gamble and Mr Roger Taylor, Sun Alliance's chief executive, have opened a new chapter in the history of the UK's "composites" - insurers which combine general and life operations. The last substantial consolidation move was Sun Alliance's £400m acquisition of Phoenix in 1984.

For the past decade, the composites have been preoccupied by problems such as heavy losses on domestic mortgage indemnity business caused by the housing slump. A succession of natural catastrophes, including severe storms in 1987 and 1990, combined with falling premium rates in the early 1990s to further erode profits and drive several companies deep into the red.

But in the past two years, UK profits have soared on the back of higher premium rates and lower claims. Balance sheets have strengthened and a new generation of managers has emerged. Mr Gamble, the longest serving, became chief executive only in 1992.

Yesterday's stock market reaction, which saw sharp price rises across the sector, reflected a widespread expectation that the Royal/Sun Alliance deal may now trigger a wave of similar moves. The last big wave of consolidation in the late 1980s and early 1990s included the merger of Sun and Alliance, Guardian's link with Royal Exchange, and Royal Insurance's acquisition of London and Lancashire.

Shares in Guardian Royal Exchange and General Accident, the Perth-based composite, ended up 38p at 271p and 35p at 647p respectively on speculation that they may feel compelled to merge to gain similar expense advantages.

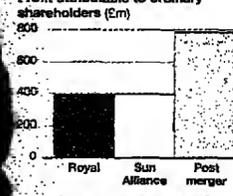
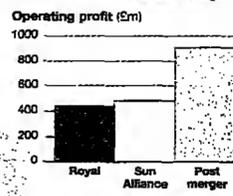
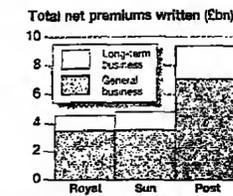
The case for consolidation is strong. Royal Sun Alliance envisages proportionately higher cost savings than last year's merger of Lloyds Bank and TSB. Some £176m a year - equivalent to about 20 per cent of the combined costs of the two companies - is expected to be lopped by 1998. This will be achieved largely by cutting 5,000 jobs, or about 11 per cent of the worldwide workforce.

Similar cost savings would not have been possible in the past. Unlike banks, insurance companies do not have a network of high street branches to streamline. Traditionally, a large chunk of insurers' expenses - those associated with handling agents or brokers - have varied according to the volume of business.

But technological change is altering the sector's economics. The



Richard Gamble, Royal Insurance chief executive



	Royal £bn	Sun Alliance £bn	Post-merger forecast £bn
Total assets	24.47	30.59	55.06
Shareholders' funds	2.66	3.49	6.17
Solvency ratio	64%	82%	72%
Market capitalisation	2.45	2.93	5.38

Company	Market Capitalisation (\$bn)
Allianz	37.31
ING Group	21.84
Generale	19.85
Swiss Re	15.22
Munich Re	13.79
Zurich	13.20
Prudential	12.94
AEGON	12.46
Axa	11.09
Fortis	9.56
Royal Sun Alliance	9.46
UAP	6.43
Commercial Union	6.18
INA	6.01
Abeanza	5.80
Lloyds Abbey Life	5.57
Legal & General	5.36
Winterthur	4.75
General Accident	4.75
GRE	3.68



Roger Taylor, Sun Alliance chief executive

increasingly popular "direct" selling of insurance products to consumers by telephone requires significant investment in the fixed costs of information technology and marketing, including expensive television advertising. By combining operations, costs per policy can be cut.

Sun Alliance and Royal also expect to achieve cost savings by merging head offices, investment management and international operations. On the life side, the combined group will be the sixth largest in the UK, again increasing opportunities for reducing unit costs and offering better value to consumers.

By leap-frogging to the top of the UK composite insurers' league table, Royal Sun Alliance will benefit from increased clout in negotiations with reinsurance companies, which protect conventional insurers against large losses. This could be significant - internal estimates suggest it could push cost savings above £200m a year.

Moreover, the combined operation will have a wider geographical spread that will reduce exposure to large catastrophes or severe weather in one country. Royal is strong in the US while Sun Alliance has concentrated on continental Europe.

Size is also important in developing markets. For some time Sun Alliance has wanted to become the first European insurer to obtain a

full trading licence in the potentially vast Chinese market. The merger reduces the chances of being pipped by larger European rivals. "When you leave the UK, size, prestige and clout matter a great deal," says Mr Gamble.

Mr Taylor and Mr Gamble have set such international expansion as a priority. Here there are further advantages in combining forces via an agreed merger. Based on last year's figures for the two groups, Royal Sun Alliance will have a solvency ratio - a crude measure showing the value of assets as a proportion of premium income - of about 72 per cent. This is high by the sector's standards and suggests that once the two groups are integrated, Royal Sun Alliance might be in a position to make significant acquisitions, perhaps emulating a series of deals over the past few years by continental European rivals.

But while the logic for the merger might be clear, Royal Sun Alliance has to avoid a number of pitfalls.

First, it has to ensure financial strength does not become a weakness. The danger of having a lot of capital is that it encourages the pursuit of market share through price-cutting without regard for profits.

In the past year Sun Alliance has looked increasingly overcapitalised, having lost important business con-

tracts. These include the contract to underwrite household insurance business for the Halifax building society, costing £160m in annual premium income. In February, Chubb Corporation, the US insurer, announced it was unwinding a trading arrangement with Sun Alliance that dated from the last century.

The merger with Royal will help allow Sun Alliance's US assets to be used to develop Royal's existing US business. However, there was disappointment in the City that the combined group was not repaying funds to shareholders.

By reducing the number of UK insurers, yesterday's deal might reduce the pressure to chase market share - Royal Sun Alliance will have roughly a 20 to 25 per cent market share. But it will have only a marginal impact on competition, says Mr Andrew Pitt, insurance analyst at Salomon Brothers. "If anything, Royal Sun Alliance will be a more efficient player. The effect will be to allow them to be competitive. It doesn't take capacity out of the market."

The second danger posed by the deal is that it will result in an unwieldy corporate structure. All 11 of the two group's executive directors are remaining - although five will be senior managers rather than directors and two will be working as consultants. Neither Mr Taylor nor Mr Gamble appear willing to relinquish control. The former will become executive deputy chairman.

the latter group chief executive. Such a top-heavy management structure may be appropriate during the process of integration; longer term it is unlikely to prove best of foot and could be a recipe for internal feuding. Rival insurers expressed scepticism about whether the cost savings Royal Sun Alliance had identified were achievable.

Finally, there are a host of issues involved in merging brands. Most obviously, a decision is needed on the group's UK-based "direct" telephone-based personal motor and household operations. Royal had set up two "direct" insurers - one trading with the group's name and another operating as The Insurance Service. Sun Alliance brands many of its direct sales activities under the name "Sun Alliance Connections".

Combining the various operations could lead to considerable savings on marketing and infrastructure costs - necessary to compete with low-cost underwriters such as Direct Line - but at the risk of alienating consumers used to buying a particular brand of policy.

These issues will have to be addressed if Royal Sun Alliance is to realise its ambition to become an increasingly global insurance company. For now, there is no UK composite that approaches the size of Germany's Allianz or Italy's Generali. Yesterday's deal may revitalise the sector - but it is only a beginning.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to "fine"), e-mail: letters.editor@ft.com. Translation may be available for letters written in the main international languages.

Fashionable vehicle for good reason

From Mr Charles Steer.
Sir, "Sloanes" lead the fashion for multi-purpose vehicles with good reason ("Into another galaxy", April 27/28). They're not all daft enough to want to scorch about with their humps a few inches above the road - their passengers cramped chin on knee - now that they can travel sitting in comfort, high enough to see over hedges (or to look down on the police), yet still as fast as the law allows.

Renault's Espace started a French revolution that all carmakers are bound to follow, while British innovation seems to have slipped out of sight. Rolls-Royce might have retained the "world's best car" had it adopted a similar plan, instead of trying to bludgeon its way into the market with a 40-year-old concept that lost out to the stretch limousine. Now it's to be just another Deutsche Marque.

Charles Steer,
8 Cromwell Court,
Kingston Hill,
Kingston upon Thames,
Surrey KT2 7PY, UK

Challenge of the Internet for schools

From Prof Ipppei Wakabayashi.
Sir, There are a number of important issues that arise from Tim Jackson's interesting article "A how and arrow, plus the three Rs" (April 29). Writing up schools today offers a fascinating business opportunity. Computer hardware and software makers, Internet access providers, and other Net-related industries are expecting to develop a huge untapped market in the schools.

But introducing the Net into a knowledge-based culture might be the modern equivalent of the how and arrow introduced into a spear-based hunter economy. Every "hunter" will need the skills to use

a how and arrow. Basic skills and fundamental knowledge to handle information have become more and more important in the Net age. The Net is an extremely large information labyrinth. Children are likely to lose their way in it.

They have to be able handle information for themselves, not just know how to handle a computer. This is the key point. Unfortunately, it is technology-oriented people who teach computer classes in many schools today. Basic intellectual skills like reading, writing and calculating or logical thinking need a cyber "how and arrow". Teachers must teach children

how to move around the Net and how to search for information. I believe writing up schools is a good thing; every schoolchild can then enjoy his or her own global-sized virtual library on the Net. But in this context it will become important that PCs are replaced by the cheaper, easy-to-use Net navigating tools in the near future.

Ipppei Wakabayashi,
professor,
Faculty of International Studies,
Bunkyo University,
1100 Namegaya,
Chigasaki,
Kanagawa 253,
Japan

Culture of the Bushmen must be protected

From Dr Anne-Carole Chandler.
Sir, Lucia van der Post's information about the fate of the Bushmen in Botswana ("Who will guard the land when we are gone?", April 27/28) is deeply distressing. Anyone who has read her father's eloquent books and has seen the Bushmen's cave paintings in remote, mountainous areas of South Africa, will appreciate the

tribulations of the gentle, unthreatening Bushmen. We can learn much from stone-age cultures that may not immediately seem vital, but undoubtedly is. They are so fragile and vulnerable that we must protect them because we cannot afford to lose their knowledge and skills. As a start, we can ignore Botswana as a tourist destination

until the Bushmen there are free from persecution; and support financially movements to help them retain their natural way of life.

Anne-Carole Chandler,
Achandunle House,
Ardross,
By Ainess,
Ross and Cromarty,
Scotland IV17 0YB, UK

UK should prepare itself better for integration with Europe

From Mr John Nugée.
Sir, Joe Rogaly's concluding oration in his piece "More money than votes", April 27/28 - that the UK will not take part in the first part of Emu, but will eventually be clamouring to be let in, on Brussels' terms, when everyone else has already joined - is likely to prove as true as it is sad. It is, after all, the UK's usual policy with everything

European, from the European Coal and Steel Community and the European Economic Community in the 1960s to the ERM, the Schengen agreement, and so on.

In the case of Emu, membership for the UK from 1999 would pose great problems, not least those that a country with such a high level of floating rate private sector debt would have adapting to a

European-style monetary policy. And there is nothing wrong with saying "We are not ready to take part yet". The true tragedy for the UK is that it has never made use of the breathing spaces to change its way of life so that it is ready, in other words, so that when the country finally joins, as it will inevitably have to in due course, it will be with a more compatible

economy and financial system. Why can the UK's politicians not prepare for European integration and try to make the country a bit more European, so that joining Europe in any of its great ventures is less of a struggle against an alien culture?

John Nugée,
2101 Bamboo Grove,
82 Kennedy Road, Hong Kong



Summer Opera Trips with the Financial Times July & August 1996

Following earlier successful visits with our readers to opera festivals, the Financial Times is again organising two invitations to the opera this summer. The first to North America in July, and the second to Sweden in August.

Glimmerglass (from 18th - 22nd July) is regularly hailed as America's Glyndebourne, internationally acclaimed for its innovative and beautiful productions - an adventurous company with the highest artistic standards attracting a variety of talented directors, and some of the most promising young American performers. The focus of our operatic experience is the intimate 900 seat Alice Busch Opera Theatre set on the northernmost shores of Cooperstown's scenic Lake Otsego, where we will attend three opera performances: Jack Beeson's *Lizzie Borden*, Mozart's *La Finta Giardiniera* and Donizetti's *Don Pasquale*. The first class Otesaga Resort Hotel will be our base during our stay in Cooperstown.

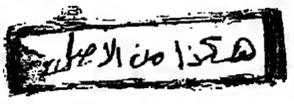
Holiday cost is £1,295 (Glimmerglass) and from £675 (Drottningholm). Prices are per person sharing a twin or double room with bath and wc, on a bed, breakfast and dinner basis (for Glimmerglass) and b&b only (for Drottningholm), and includes return scheduled air travel, transfers and orchestra stall opera/concert tickets.

These holidays are organised on behalf of the Financial Times by J.M.B. Travel Consultants Ltd ATOL 3539. The information you provide will be held by us and may be used by other select quality companies for mailing purposes.

To: Nigel Pullman, Financial Times,
Southwark Bridge, London SE1 9HL

Summer Opera with the FT
Please send me further details of the FT Invitation to Drottningholm/Glimmerglass (delete as applicable)

Title Initial
Surname
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County
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MAY 5 1996

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FT MANAGED FUNDS SERVICE

Main table containing financial data for various funds, including columns for fund names, managers, and performance metrics.

Money Market Trust Funds

Table listing Money Market Trust Funds with columns for fund name, manager, and performance.

Money Market Bank Accounts

Table listing Money Market Bank Accounts with columns for bank name, account type, and interest rate.

GUCCI advertisement featuring a watch and text: 'GUCCI THERE'S ARE AVAILABLE FROM GUCCI BOND STREET, W.I., GUCCI SLOANE STREET, SW1, HARRODS AND SELFRIDGES. ALSO AT SELECTED BIRNIE JONES, LESLIE WALKER AND HALL, WATCHES OF SWITZERLAND, HAPPA'S & WESS, SEWERSIDE AND OTHER FINE JEWELLERS.'

MANAGEMENT SERVICES

Table listing Management Services with columns for service name, provider, and details.

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FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 673 4376 for more details.

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Table listing various offshore funds under Bermuda jurisdiction, including Royal Bank of Canada O/S Fd Mgrs Ltd, Fidelity Currency Funds Ltd, and others.

BERMUDA (REGULATED)**

Table listing regulated offshore funds under Bermuda jurisdiction, including Berricks Investment Managers Ltd, Berricks International Managers Ltd, and others.

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GUERNSEY (REGULATED)**

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IRELAND (SIB RECOGNISED)

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IRELAND (REGULATED)**

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ISLE OF MAN (SIB RECOGNISED)

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ISLE OF MAN (REGULATED)**

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JERSEY (SIB RECOGNISED)

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JERSEY (REGULATED)**

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LUXEMBOURG (SIB RECOGNISED)

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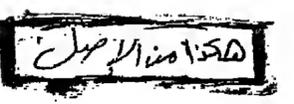
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OFFSHORE INSURANCES

Table of offshore insurance products and prices.

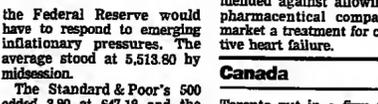
MANAGED FUNDS NOTES: Detailed notes regarding fund management, performance, and risks.



WORLD STOCK MARKETS

AMERICA
Dow tepid in its response to jobs data

US shares were generally flat in mid-session trading yesterday although fears of an interest rate increase in the short term were largely erased by a surprisingly weak report on April job growth, writes Lisa Brannen in New York.
By 1 pm, the Dow Jones Industrial Average had recaptured only 15.53 of the nearly 77 points it had tumbled on Thursday after strong figures on first quarter economic growth worried investors that...



the Federal Reserve would have to respond to emerging inflationary pressures. The average stood at 5,513.80 by mid-session.
The Standard & Poor's 500 added 3.80 at 647.18 and the American Stock Exchange composite gained 0.89 at 589.86. Volume on the NYSE came to 192m shares.
One equity trader at a major New York brokerage house said that he was seeing a reasonable bit of money into the market, but that investors were surprised that bonds did not respond more positively to the weak employment figure.
The labour department said that 2,000 non-farm jobs were created last month, far fewer than economists' projections of about 128,000 new jobs.
Technology shares staged a much stronger rebound, however, with the Nasdaq composite adding 14.17 at 1,182.50 and...

Mexico loses early gain

Mexican stocks were marginally weaker by mid-session, having reversed early gains. The IPC index of the 37 leading stocks was down 1.08 at 3,161.43 by noon.
Volume was estimated at 9.7m shares as looters outpaced gains by 12 to 6.
Cemex, the cement company, was moving steadily lower as investors reacted to its acquisition of the Colombian cement groups, Cementos Diamante and Cementos Sanjeron. Brokers said the three series of stocks had declined by between 2 and 3 per cent at midday.
Telmex A shares were...

South Africa weakens

Jobannesburg saw industrial shares in the morning, while golds were unchanged in spite of a firmer price for bullion.
However, industrial recovery hopes of their losses during the afternoon following the release of the US employment data.
Dealers said that rumours that a referendum could be held in an effort to break the...

EUROPE
Bourses cut their losses after earlier weakness

Bourses were moved again by US data, extending Thursday's negative reaction to GDP figures but cutting their losses later on jobs statistics and a recovery in the Dow.
PARIS, delayed at the start by technical problems, saw a session low of 2,080.23 before the CAC-40 index finished down 21.42 at 2,115.58.
Santof fell Ffr12 at Ffr408 as Goldman Sachs downgraded the company from "market performer" to "moderate outperformer"; the broker said that this had been done on valuation grounds and "not through any change in our outlook on the group's fundamentals".
Its pharmaceuticals team observed that the stock, up some 70 per cent over the last 12 months and by 55 per cent relative to the market as a whole, was looking expensive; its earnings per share estimate for 1996 were now Ffr17.50 against a previous Ffr17.50, for 1997 Ffr19.80 against Ffr20.40, and for 1998 Ffr25.10 versus Ffr23.70.
Vallo strengthened FFr4.30 to FFr28.20 amid continuing speculation that the auto components maker could become a takeover target if Cerus, the holding company, decided to sell its 28 per cent stake. Cerus was FFr2.50 at FFr9.45.
LVMH lost FFr38 to FFr1,289...

on disappointing first quarter sales data, currency factors, notably weakness in the dollar and yen, contributed to the downturn.
Alcatel Alsthom, which said that it was planning to bundle its German activities into a new company, firmed FFr1.80 to FFr488.30, and Credit Foncier de France remained suspended.
After the close of business the government confirmed market speculation that the privatisation of AGF, the insurer, would begin on Monday. The shares closed off FFr2.50 at FFr137.
ZURICH focused on the pharmaceuticals sector as the SMI index lost 28.6 to 3,611.2.
Ciba fell Sfr2.20 to Sfr1,385 and Sandoz was Sfr1.10 lower at Sfr1,318 after the EU confirmed plans to put the companies' planned merger through a detailed investigation. Analysts noted that the Ciba share price was still 22.6 per cent higher than on March 7, when the companies announced their merger plan, and that Sandoz was 14.1 per cent ahead.
Elsewhere in pharmaceuticals, Roche certificates fell Sfr155 to Sfr9,630 on profit-taking.
A Sfr16 fall in Swissair to Sfr1,199 was attributed to expectations of further labour unrest at Sabena following news that up to 1,700 jobs may be cut.
FRANKFURT dealers, initially, saw a fall to 2,400 in the Dax on a worst-case scenario; some technical analysts said later that the key index could even drop to 2,320.

ASIA PACIFIC
Hong Kong leads region lower with 1.8 per cent fall

Wall Street's overnight fall provided a strong influence on regional markets in the absence of Tokyo, closed for the Golden Week holiday. HONG KONG lost 1.8 per cent as the US long bond yield jumped above 7 per cent overnight in response to Thursday's stronger than expected GDP figure in the US. The Hang Seng index lost 195.66 to 10,784.24 in turnover that improved to HK\$4.8bn from Thursday's HK\$3.1bn.
Losses were recorded across the board although brokers pointed to the sharpest losses in rate sensitive property issues and the banks.
Among key properties, Cheung Kong lost HK\$1 to HK\$63.50, Sun Hung Kai sank HK\$1.25 to HK\$72.25 and Henderson Lane gave up HK\$1.50 top HK\$64.
Banks featured a HK\$3 fall in HSBC to HK\$113 while Hang Seng Bank lost HK\$2.25 to HK\$78.50.
WELLINGTON was pulled off its lows, largely by a rally in the small companies index higher at NZ\$6.25, after NZ\$6.15, as the NZSE-50 index fell 7.81 to 1,339.52.
Mr Mike Hare, at ANZ McCaughan, said that Telecom had seen some hying ahead of its imminent full year results. But Fletcher Challenge Paper shed 5 cents to NZ\$2.97 as newspaper prices continued to worsen; and, at a different level, the market reacted to bad news from mid-cap stocks, in the small companies index falling 28.40 to 4,409.81.
BANGKOK eased a mere fraction in spite of Thursday's strong gain and falls on Wall Street and elsewhere, continuing buying support leaving the SET index just 0.64 down at 1,318.59 in turnover of...

indices closed 24.0 lower at 2,299.0, off an intra-day low of 2,294.0.
A stronger bullion price capped falls for the gold sector and some of the larger resource issues, notably WMC, finished well off their lows. Dealers said that this was another trading prospect next week, and that a low turnover figures of A\$540m suggested that investors were reluctant to part with stock at yesterday's prices.
However, Anco fell 30 cents to AX A\$8.50 after it said that it believed its 1995-96 results would be below those of the previous year.
WELLINGTON was pulled off its lows, largely by a rally in the small companies index higher at NZ\$6.25, after NZ\$6.15, as the NZSE-50 index fell 7.81 to 1,339.52.
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THE WEEK'S CHANGES

Table showing percentage changes for various markets: Shanghai B., Bangkok, Bombay, Singapore, Kuala Lumpur, Hong Kong, Seoul, Wellington, Manila, Sydney.

FT-SE Actuaries World Indices

Table with columns: Index, Open, High, Low, Close, % Change. Lists various world indices like FT-SE Europe 100, FT-SE Europe 200, etc.

THE EUROPEAN SERIES

Table with columns: Index, Open, High, Low, Close, % Change. Lists European indices like FT-SE Europe 100, FT-SE Europe 200, etc.

THE WEEK'S CHANGES

Table showing percentage changes for various markets: Frankfurt, Zurich, Paris, Milan, Amsterdam.

LIFFE EQUITY OPTIONS

Table with columns: Index, Call, Put, etc. Lists various equity options like ASDA, British Airways, etc.

RISES AND FALLS

Table with columns: Index, Rise, Fall, etc. Lists various market movements like British Funds, Other Fixed Interest, etc.

TRADITIONAL OPTIONS

Table with columns: Index, Call, Put, etc. Lists various traditional options like Call: Fawcett, Jarvis, etc.

LONDON RECENT ISSUES: EQUITIES

Table with columns: Issue, Amt, Price, etc. Lists various London equity issues like F.P., F.P., etc.

RIGHTS OFFERS

Table with columns: Issue, Amount, etc. Lists various rights offers like 325, 40, etc.

FINANCIAL TIMES EQUITY INDICES

Table with columns: Index, May 3, May 4, etc. Lists various equity indices like Ordinary Share, etc.

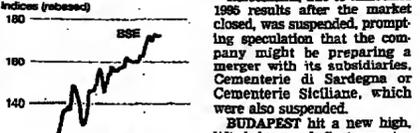
FT GOLD MINES INDEX

Table with columns: Index, May 3, May 4, etc. Lists various gold mines indices like Gold Mines Index, etc.

TRADEPOINT INVESTMENT EXCHANGE

Table with columns: Index, May 3, May 4, etc. Lists various investment exchange indices like SEAO, etc.

Hungary



placement by the state of a new branch, say traders.
Halted, due to announce 1995 results after the market closed, was suspended, prompting speculation that the company might be preparing a merger with its subsidiaries, Cementerie di Sardegna or Cementerie Siciliane, which were also suspended.
BUDAPEST hit a new high, lifted by good first quarter results from Richter, the pharmaceutical group. The Bux Index finished 86.92, or 3.3 per cent higher at 2,724.92, spot share turnover rising from F163.6m to F199.4m.
Richter opened at F15,340, touched a high of F15,650 and closed at F15,625, up F1475. Other stocks rose in sympathy: Egis, another drugs company, rose F155 to F16,750 and the chemicals combine, Borsodchem, by F105 to F12,750.
VIENNA eased by 1.3 per cent with selling pressure seen in Wienerberger, OMV and Flughafen Wien. The ATX index lost 14.49 to 1,107.82.
ISTANBUL retreated slightly following Thursday's 3.5 per cent rise. The composite index lost 533.52 or 1 per cent to 66,445.23 as turnover rose to TL7,900m from TL6,140m.
Written and edited by William Cochrane, Michael Morgan and John Pitt

had good prospects for earnings growth during the rest of this year and next.
MILAN saw preliminary figures showing that the budget deficit was larger than expected. The Comit index fell 7.56 to 658.46 while the real-time Mibtel index picked up from 10,461 to close 35 easier at 10,533.
Telecom Italia added L28 to L3,283 after the company said that first quarter turnover grew by 6 per cent. Tim, however, was L53 lower at L3,365. Olivetti, strong in recent sessions, fell to a low of L964 before recovering to L989, up L2.6. The insurer lost L55 to L2,350 on renewed talk of the timing and terms of the...

respectively. Creative Technologies, the multimedia products maker, shed 40 cents to \$89.60 ahead of third quarter results, due after the market closed. Dealers said that they were expected to be marred by a large inventory write-off, reported in March.
SEOUL saw late demand for selective shares which left the composite index 4.15 higher 965.67, up from a low of 965.17.
Shares affected by the country's widening trade deficit included Posco, down 500 to Won59,000 and Hyundai Motor, which lost Won40 to Won36,900.
KUALA LUMPUR was weak on worries of further falls on Wall Street and the composite index ended down 7.70 at...

LONDON EQUITIES

Table with columns: Index, Rise, Fall, etc. Lists various London equity movements like British Funds, etc.

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FT/S&P ACTUARIES WORLD INDICES

Large table with columns: Index, May 3, May 4, etc. Lists various world indices like Australia, Belgium, etc.

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LONDON STOCK EXCHANGE

MARKET REPORT

Big insurance merger cushions market slide

By Steve Thompson, UK Stock Market Editor

London's equity market suffered another significant setback yesterday but the fall was limited by the surprise announcement of a £5.4bn merger between Sun Alliance and Royal Insurance...

The other big worries for the market, the outcome of the local elections across England and the market's initial response to the collapse of the BT/Cable & Wireless merger...

London was also reassured by a comforting opening performance yesterday by Wall Street, which responded positively to a April non-farm payroll report showing much lower than expected job creation in the US.

Over the week, during which Footsie always looked likely to drop back through the 3,800 level, the index retreated 81.2, or 2.1 per cent, while the Mid 250 lost 1.2 per cent.

TRADING VOLUME IN MAJOR STOCKS

Table with columns: Vol. (M), Price, % Change, Day's Change. Lists major stocks like ASA Group, British Airways, BT, etc.

EQUITY FUTURES AND OPTIONS TRADING

Table with columns: Stock Index, Futures, Options, etc. Includes FT-SE 100 Index, FT-SE 100 Index Futures, etc.

Insurers' deal fires

It is abnormal for the insurance sector to react well in the face of a slide in gilts, US equities and UK stocks. The revelation of one of the market's best kept secrets for many months set the sector on fire.

FT-SE-A All-Share Index



Table with columns: Index Name, Value, Change. Lists FT-SE Mid 250, FT-SE A 350, FT-SE A All-Share, etc.

FT-SE Actuarial Share Indices

Table with columns: Index Name, Day's Change, etc. Lists FT-SE 100, FT-SE Mid 250, FT-SE A 350, etc.

The UK Series

Table with columns: Index Name, Day's Change, etc. Lists FT-SE 100, FT-SE Mid 250, FT-SE A 350, etc.

NEW 52 WEEK HIGHS AND LOWS

Table with columns: Company Name, Price, % Change. Lists various companies like British Airways, BT, etc.

CHIEF PRICE CHANGES YESTERDAY

Table with columns: Company Name, Price, % Change. Lists British Airways, BT, etc.

Hourly movements

Table with columns: Index Name, Open, High, Low, Close. Lists FT-SE 100, FT-SE Mid 250, etc.

FT-SE Actuarial 350 Industry baskets

Table with columns: Basket Name, Open, High, Low, Close. Lists various industry baskets.

Pearson slides

Pearson, the media conglomerate which owns the Financial Times, slipped 1.8 to 677p, after issuing a profits warning over its US software subsidiary...

Chief executive will have a lot riding on him

Some brokers felt that the C&W shares remained overvalued. The EZV view was that a p/e relative of 120 for C&W was expensive given that the main takeover hope had evaporated.

Subsequently, EZV downgraded its current year forecast

to £246m from £274m and HSBC James Capel reduced to £230m from £274m. One broker has also factored in a charge of £3m for restructuring at the Financial Times.

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Advertisement for Fidelity Wood products, showing a pie chart and text: 'We're good to wood', '54% Fuelwood', '12% Pulpwood', '7% Other Industrial', '27% Sawlogs'.

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£2,000 nominal debentures 1996/2000 Series ("Centre Court Debentures") Set out below are the prices and dates of the three most recent transactions in the Centre Court Debentures, as notified to the Company.

OPEN FACILITY

Table with columns: Company, Mid Price, Change, etc. Lists various companies like Advanced Media Group PLC, etc.

FT-SE Actuarial 350 Industry baskets

Table with columns: Basket Name, Open, High, Low, Close. Lists various industry baskets.

Hourly movements

Table with columns: Index Name, Open, High, Low, Close. Lists FT-SE 100, FT-SE Mid 250, etc.

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Hourly movements

Table with columns: Index Name, Open, High, Low, Close. Lists FT-SE 100, FT-SE Mid 250, etc.

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

Table listing investment trusts with columns for name, price, and change.

LEISURE & HOTELS - Cont.

Table listing leisure and hotel companies with columns for name, price, and change.

OTHER FINANCIAL - Cont.

Table listing other financial companies with columns for name, price, and change.

PROPERTY - Cont.

Table listing property companies with columns for name, price, and change.

SUPPORT SERVICES - Cont.

Table listing support services companies with columns for name, price, and change.

AM - Cont.

Table listing American companies with columns for name, price, and change.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts with columns for name, price, and change.

LIFE ASSURANCE

Table listing life assurance companies with columns for name, price, and change.

PAPER, PACKAGING & PRINTING

Table listing paper, packaging, and printing companies with columns for name, price, and change.

RETAILERS, FOOD

Table listing food retailers with columns for name, price, and change.

TELECOMMUNICATIONS

Table listing telecommunications companies with columns for name, price, and change.

AMERICANS

Table listing American companies with columns for name, price, and change.

LEISURE & HOTELS

Table listing leisure and hotel companies with columns for name, price, and change.

MEDIA

Table listing media companies with columns for name, price, and change.

PHARMACEUTICALS

Table listing pharmaceutical companies with columns for name, price, and change.

RETAILERS, GENERAL

Table listing general retailers with columns for name, price, and change.

TEXTILES & APPAREL

Table listing textiles and apparel companies with columns for name, price, and change.

CANADIANS

Table listing Canadian companies with columns for name, price, and change.

INVESTMENT COMPANIES

Table listing investment companies with columns for name, price, and change.

OIL EXPLORATION & PRODUCTION

Table listing oil exploration and production companies with columns for name, price, and change.

PROPERTY

Table listing property companies with columns for name, price, and change.

SUPPORT SERVICES

Table listing support services companies with columns for name, price, and change.

WATER

Table listing water companies with columns for name, price, and change.

AM

Table listing American companies with columns for name, price, and change.

Advertisement for Sharelink with logo and contact information: 0121 200 2242, SHARELINK, Helping investors help themselves.

PHARMACEUTICALS - Cont.

Table listing pharmaceutical companies with columns for name, price, and change.

RETAILERS, GENERAL - Cont.

Table listing general retailers with columns for name, price, and change.

TRANSPORT

Table listing transport companies with columns for name, price, and change.

SOUTH AFRICANS

Table listing South African companies with columns for name, price, and change.

GUIDE TO LONDON SHARE SERVICE

Price for the London Share Service... Company classifications are based on those used for the FT-SE 100 Index... FT Free Annual Reports Service... FT Company Focus...

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FINANCIAL TIMES

Weekend May 4/5 1996

brother

PRINTERS
FAX MACHINES

Sun Alliance and Royal Insurance tie-up set to cost 5,000 jobs UK insurers agree £6bn merger

By Ralph Atkins in London

Sun Alliance and Royal Insurance yesterday announced plans for a £6bn (\$8.1bn) merger which is expected to yield substantial cost savings and lead to the loss of 5,000 jobs.

The deal, expected to herald a fresh wave of restructuring in the UK financial services sector, marked the first consolidation among composite insurers since Sun Alliance's acquisition of Phoenix Insurance more than a decade ago.

It will propel the combined group closer to the top league of European insurers, such as Allianz of Germany, Generali of Italy and Zurich of Switzerland. The move fuelled speculation that other mergers would follow, prompting steep rises in shares of rival insurers.

The merged group, Royal Sun Alliance, would have premium income of £9.4bn and overtake Commercial Union to become the UK's largest composite insurer, combining life and general business. On 1995 figures, pre-tax operating profits would have been £909m.

Royal and Sun Alliance entered informal discussions at the end of last year. But the merger move surprised analysts, who had expected Sun Alliance to acquire Friends Provident, the mutual life insurer - a deal which has now been more or less ruled out.

The two groups' shares rose sharply on the back of expected cost savings worth £175m a year by 1998. The combined group's size will increase its ability to stem price competition in UK insurance, perhaps reversing recent premium price weakness.

It may also be better placed to seize overseas expansion opportunities. Royal's shares ended up 67p at 437p and Sun Alliance up 56p at 414p.

The scale of the job cuts, most of which will be in the UK, attracted criticism from trade unions. Mr Alan Piper, assistant general secretary at finance union Bifu, which represents 800 Sun Alliance workers, said: "Staff will pay the price as the merged company cuts costs and goes for greater profits."

The OFT last night confirmed it would study the bid to see whether it should recommend a referral to the Monopolies and Mergers Commission. The two groups said competition issues were not expected to be a problem, except possibly in specialist boiler engineering insurance.

Mr Roger Taylor, Sun Alliance's chief executive, will become executive deputy chairman. Mr Richard Gamble, Royal's chief executive, will have the same position but will report to Mr Taylor. Sir Christopher Benson, chairman of Sun Alliance, will chair the group.

Royal Sun Alliance expects to pay a dividend of at least 19p a share this year. Under the merger, expected to become effective in August, a holder of 1,000 Royal Insurance shares will hold 1,067 Royal Sun Alliance shares and will hold 1,000 of the new group's shares.

Royal Insurance is advised by Baring Brothers and Sun Alliance by NMR Rothschild.

Insurance merger, Page 6
Editorial comment, Page 5
See Lex

Major to stand firm despite rout of Tories in local polls

By John Kampfer in London

The UK government will yield no further concessions to Eurosceptics in the ruling Conservative party and will undergo a radical cabinet reshuffle in spite of the Tories' rout in the local council elections, Mr John Major made clear yesterday.

Hours after the Tories' second worst performance in any national poll, the prime minister met senior strategists at the start of a year of dogged campaigning in the run-up to the next general election.

Mr Major declared his government would serve its full term, to April or May 1997, and that he would lead the Tories to victory. Thursday's voting has left the Conservatives without a single seat in 50 councils. Out of the 1,016 seats they were defending across England, 567 were lost. The opposition Labour party gained 459 councillors while the Liberal Democrats gained 147.

However, so low were expectations that ministers and backbenchers were able to portray the outcome as signifying the start of a tightback.

They pointed to the Tories' share of the vote improving to 27 per cent from last year's all-time low of 25 - even though that leaves the Conservatives 16 points adrift of Labour.

Mr Tony Blair, the Labour leader, described the results as "spectacularly bad" for the Tories, but added: "Our task is not to bask in victory." He predicted the government would try to "stagger on".

The mood among Tory MPs was grim, but just short of panic. Even Mr Major's most ardent detractors acknowledged there was now little prospect of persuading him to stand down.

One rightwing minister said: "It's depressing but not beyond hope. What we need now is a few months without disasters, a good budget and for all our MPs to shut up about Europe."

A close colleague of Mr Major said the prime minister was determined to present his Europe

policy as coherent, and not a compromise between extreme sceptics and Euro-enthusiasts.

Mr Major - who has a majority in the Commons of just one - will seek to rally his forces in a speech to the Scottish Conservative conference next weekend.

Mr John Redwood, the former Welsh secretary who challenged Mr Major a year ago, stressed that while he considered the leadership issue now closed he would continue to press for a realignment of policy.

Mr Michael Portillo, defence secretary, who is seen as a possible future candidate of the right, called for an end to infighting.

Ministers are pinning most of their hopes on an economic upturn. Mr Major acknowledged tax rises had caused pain but, in a series of interviews yesterday, he said: "The rewards are on their way. I intend to stay here until the rewards are through."

Brave face on disaster, Page 9
Philip Stephens, Page 9
Joe Rogaly, Weekend FT Page 1

Jobs figures ease fears of US rate rise

Continued from Page 1

while consistent with moderate growth, damped concern the economy was overheating and were seen as reducing the risk of an early rise in interest rates.

However, the April report was a mixed blessing for bond investors because it contained further tentative evidence of an acceleration in wage inflation. Average hourly earnings rose 0.6 per cent taking the annual rate of increase to 3.1 per cent. Economists at Columbia University yesterday also reported the first increase in their leading index of inflation in 15 months.

The Labour Department said employment in construction and manufacturing fell by 83,000 and 17,000 respectively last month. The manufacturing decline would have been three times as large but for the return of motor industry workers laid off during March because of the General Motors strike. These job losses were offset by modest job gains in service sector industries.

But the deal still leaves two big questions unanswered. The first surrounds management. On present plans, the company will be run by two men: Royal's Mr Richard Gamble will be chief executive, but he will report to Sun's Mr Roger Taylor, who will have the ill-defined role of executive deputy chairman. The duo may be able to pull off this tactful fudge. But it could just as easily end in tears.

The second issue is that the new group is swash with capital. Even on Sun's conservative measure, the new business will have a "solvency ratio" - shareholders' funds to premium income - of 72 per cent. It could easily take this down to, say, 50 per cent handing back nearly £2bn in cash to shareholders in the process. The risk, of course, is that this surplus capital will be blown - for instance, on

THE LEX COLUMN Skimming the froth

Panicking about the US jobs figures is becoming a monthly ritual for Wall Street traders. Just for a moment, it looked as if yesterday's data, showing a mere 2,000 jump in the number of people joining the payroll in April, had been greeted with mild relief. But the apparently benign headline numbers were soon ignored in favour of the rise in average earnings. The market is right to be concerned, having previously more or less bought the story that companies' strong earnings growth was not feeding through into higher salaries for their employees.

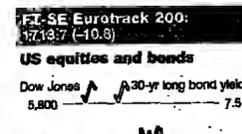
In fact, the long bond yield has already backed up a full percentage point to just over 7 per cent, due to fears that inflationary pressures will cause the US Federal Reserve to start raising interest rates. Indeed, the September Eurodollar futures contract is now discounting a half-point rise in key interest rates.

But the fact that the market is already preparing the ground for a rate rise is a healthy sign. The increase, when it comes, will not be the shock it was in 1994, and rates are starting from a higher base. The Fed itself, rather than reacting to catch up with events, will be fine-tuning the economy. All this suggests that, while prevailing conditions in the bond market are likely to remain bearish, at least the market has priced in plenty of bad news already.

The stock market, on the other hand, having so far defied bond market weakness, appears vulnerable. Shares looked reasonably priced relative to bonds at the start of the year, but the valuation now looks stretched. The mad rush for glamorous but expensive initial public offerings like Yahoo! and Planet Hollywood suggests investors are losing touch with reality. Investore in glitzy stocks - Donna Karan is next in line - will certainly be brought down to earth with a bump when the turn comes.

That said, the reversal in stock prices, when it comes, will be driven by bond weakness rather than by any fundamental overvaluation of the broad equity market. Once the bond market regains stability, it will once again provide a floor for equities.

UK insurance
Royal Insurance and Sun Alliance have done more than a good deal; with luck, they have fired the starting-gun for a much broader consolidation of Britain's insurance industry. The sheer scale of the cost savings promised yesterday - £175m (\$264.25m) a year by 1998, and enough to increase profits by around 20 per cent - means



other insurers have little excuse not to follow suit.

Are these savings plausible? History suggests so: when Sun Alliance bought Phoenix in 1984, costs were cut by 18 per cent in as many months. And yesterday's promises are closely in line with those forecast by Lloyds Bank when it merged with TSB. Of course, lower costs will not mean higher profits for ever, as rivals catch up, the benefits are likely to be quite quickly competed away in lower rates. But yesterday's sharp rises in the Royal and Sun share prices - 18 and 15 per cent respectively - still look justified. For one thing, both stocks looked undervalued before the deal. For another, if the logic of the merger encourages others to get together, the result should be a less pronounced insurance cycle. A market dominated by fewer companies should be less prone to drastic re-cutting in the downswing. That would be good news for the entire sector.

But the deal still leaves two big questions unanswered. The first surrounds management. On present plans, the company will be run by two men: Royal's Mr Richard Gamble will be chief executive, but he will report to Sun's Mr Roger Taylor, who will have the ill-defined role of executive deputy chairman. The duo may be able to pull off this tactful fudge. But it could just as easily end in tears.

The second issue is that the new group is swash with capital. Even on Sun's conservative measure, the new business will have a "solvency ratio" - shareholders' funds to premium income - of 72 per cent. It could easily take this down to, say, 50 per cent handing back nearly £2bn in cash to shareholders in the process. The risk, of course, is that this surplus capital will be blown - for instance, on

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Are these savings plausible? History suggests so: when Sun Alliance bought Phoenix in 1984, costs were cut by 18 per cent in as many months. And yesterday's promises are closely in line with those forecast by Lloyds Bank when it merged with TSB. Of course, lower costs will not mean higher profits for ever, as rivals catch up, the benefits are likely to be quite quickly competed away in lower rates. But yesterday's sharp rises in the Royal and Sun share prices - 18 and 15 per cent respectively - still look justified. For one thing, both stocks looked undervalued before the deal. For another, if the logic of the merger encourages others to get together, the result should be a less pronounced insurance cycle. A market dominated by fewer companies should be less prone to drastic re-cutting in the downswing. That would be good news for the entire sector.

But the deal still leaves two big questions unanswered. The first surrounds management. On present plans, the company will be run by two men: Royal's Mr Richard Gamble will be chief executive, but he will report to Sun's Mr Roger Taylor, who will have the ill-defined role of executive deputy chairman. The duo may be able to pull off this tactful fudge. But it could just as easily end in tears.

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those overseas expansion. Messrs Gamble and Taylor, in short, deserve plenty of credit for putting together what should be a ground-breaking deal. But as far as investors are concerned, the business is unfinished. The two now need to show they can agree on a clear strategy for the group - and that they actually need the capital with which they are so lavishly equipped. If they cannot, shareholders should press hard to get their hands on it.

UK pharmaceuticals
Yesterday's 7 per cent drop in SmithKline Beecham shares looks an overreaction to the group's failure to win US regulatory approval for its heart treatment Coreg. While Coreg is one of the more exciting drugs in SmithKline's pipeline, it was never expected to be a blockbuster. Analysis had pencilled in peak sales of up to \$400m for Coreg, compared with group turnover of £7bn last year. Even if Coreg never makes it to the market, its loss would knock less than 1 per cent off SmithKline's estimated annual earnings growth of 13-15 per cent over the next five years. But the medical data on Coreg suggest it can reduce mortality in cases of heart failure. So in all probability Coreg will be launched, but perhaps 18 months late as SmithKline carries out supplementary clinical trials.

If there is a point to this episode it is that SmithKline's original trial programme appears to have been badly designed - an unexpected lapse for a big drug company. But with new products for asthma and ovarian cancer and fresh indications for anti-depressant Paxil all awaiting approval, this looks like a hiccup.

Potentially much more worrying for the pharmaceutical sector was Thursday's US Senate ruling that patent extensions adopted under world trade agreements are open to challenge. The principal victim could be Glaxo Wellcome. The effect of last year's trade agreement was to lengthen the US patent on its anti-ulcer drug Zantac by 18 months to July 1997 - worth more than \$1bn in extra sales to Glaxo. Now it looks possible that a cheap off-patent version of Zantac could hit the market by September 1996, even though rivals still have to overcome significant legal and production barriers. Despite that, SmithKline and Glaxo are both trading on roughly the same multiple of 14-15 times next year's expected earnings - even though the latter is growing more slowly and carries higher risks. SmithKline looks better value.

Eurotunnel refinancing

Continued from Page 1

between £2.5bn and £3.5bn. In return the banks would receive up to 49 per cent of the shares.

However at the meeting a number of banks expressed concern at the outline plans. They argued that if the banks were to swap such a large sum of debt they should receive more of the shares.

The six lenders in the steering group are National Westminster, Midland Bank, Banque Nationale de Paris, Credit Lyonnais, European Investment Bank and the European Coal and Steel Community.

However a senior banker at one of the two French lead banks said that within the steering

committee there was still some tension. The British side was keen to take a big stake in Eurotunnel and so dilute those of the small shareholders while the French banks had to be more solicitous of the interests of small shareholders because the latter were predominantly French.

The agreement among the steering group to put their proposals to the company comes after Sir Alastair publicly blamed them for the slow pace of the talks.

The group has been in negotiations with its banks since September, when it suspended interest payments on £1bn of debt after deciding that it could not meet its interest payments from revenues for many years.

Astra hit by sex allegations

Continued from Page 1

extremely seriously, of course, and that is why we suspended the chief executive.

Astra said its own preliminary investigation had revealed similar allegations to those made by Business Week. But no evidence of a breach of federal law had so far been found and it would take no action against other named executives until the investigation was complete.

The Astra revelations come only a month after the US Equal Opportunities Agency opened a sexual harassment suit against the US arm of Japan's Mitsubishi Motors. Mr Richard Branson, chairman of the Virgin group, was sued in the US last week by

a former female employee for sexual harassment. Mr Branson has denied the allegations.

The company, the biggest by market capitalisation on the Stockholm bourse, is preparing for a listing on the New York Stock Exchange on May 23, only the second Swedish company to do so after the truckmaker Scania. Its anti-ulcer compound Losec is set this year to become the world's highest-selling prescription drug. Astra's most-traded A shares fell SKr3.50 to close at SKr304.50.

But Mr Terby said: "The reaction from customers, investors and analysts has been cool. They realise this concerns more or less a single person and has nothing to do with our business."

FT WEATHER GUIDE

Europe today
A northerly air flow will draw cold, moist air into the British Isles and the Low Countries. It will be mainly overcast with rain in Scotland and eastern England. The flow will be maintained by an area of low pressure over southern Scandinavia. Cloud will stretch from northern Finland across southern Sweden and Germany to the Alps. It will rain in Sweden. A southerly flow will draw warm, humid air into Ukraine and Russia. South-eastern Europe will be warm, dry and sunny. Western France will be dry with sunny spells.

Five-day forecast
There will be showers on Sunday in the south-western part of the Iberian peninsula. On Tuesday it will rain in France and the region south of the Alps. The British Isles will be dry with sunny spells. It will stay warm and sunny in south-eastern Europe.

TODAY'S TEMPERATURES

Abu Dhabi	sun	37	Berlin	cloudy	15	Caracas	thund	26	Cardiff	cloudy	10	Faro	shower	18	Madrid	shower	21	Rangoon	rain	34
Agra	thund	33	Birmingham	rain	14	Chicago	cloudy	11	Colonia	cloudy	11	Dakar	sun	30	Hamburg	rain	11	Manila	thund	34
Algiers	thund	10	Bombay	cloudy	16	Dallas	sun	20	Dubai	sun	37	Helsinki	rain	18	London	cloudy	11	Mexico City	cloudy	20
Amsterdam	cloudy	10	Doha	sun	32	Hong Kong	sun	30	Montreal	thund	22	Osaka	shower	22	Paris	rain	14	San Francisco	cloudy	19
Athens	sun	25	Geneva	rain	11	Dublin	sun	11	Moscow	cloudy	12	Seoul	rain	21	Shanghai	rain	22	Stockholm	rain	12
Atlanta	sun	32	Frankfurt	rain	11	Dubrovnik	rain	21	Sydney	sun	25	Singapore	rain	31	Stuttgart	rain	14	Taipei	shower	22
B. Aires	sun	26	Geneva	rain	11	Edinburgh	cloudy	9	Tokyo	cloudy	19	Tel Aviv	sun	31	Vancouver	cloudy	12	Yokohama	rain	20
Bahar	cloudy	9	London	cloudy	11	Jersey	sun	16	Warsaw	rain	14	Zurich	shower	13	Wellington	rain	14			
Bangkok	thund	35	Luxembourg	cloudy	10	Kuwait	sun	41	Washington	rain	14									
Barcelona	fair	16	Lyon	shower	17	Las Vegas	drizz	25	Wellington	rain	14									
			Madrid	shower	21	Manila	thund	34	Winnipeg	cloudy	11									
			Mexico City	cloudy	20	Montreal	thund	22	Zurich	shower	13									
			Nairobi	sun	36	Osaka	shower	22												
			Rangoon	rain	34	Paris	rain	14												
			San Francisco	cloudy	19	Seoul	rain	21												
			Singapore	rain	31	Shanghai	rain	22												
			Stockholm	rain	12	Sydney	sun	25												
			Stuttgart	rain	14	Taipei	shower	22												
			Tel Aviv	sun	31	Tokyo	cloudy	19												
			Toronto	cloudy	12	Warsaw	rain	14												
			Vancouver	cloudy	12	Washington	rain	14												
			Wellington	rain	14	Wellington	rain	14												